75 YEARS OF THRILLS AND ENTERTAINMENT

The Rank Group Plc
Annual Report and Financial Statements 2012

The

RANK GROUP

presents

For three-quarters of a century, Rank's iconic 'gongman' has signified a world of entertainment.

From the Company's origins in motion pictures to today's gaming and entertainment brands, we at Rank have sought to enrich lives by filling them with thrilling experiences.

Over the course of 75 years, our teams have thrilled millions of people the world over, building iconic and much-loved entertainment brands in the process.

We are proud of our heritage and as we celebrate our 75th birthday, we draw inspiration from a thrilling past and look forward with confidence to an entertaining future.

75

Since 1937

CONTENTS

Rank in pictures
Motion pictures – 1937-2006
Hard Rock – 1989-2007
Grosvenor since 1986
Mecca since 1990
Top Rank España since 1994
Blue Square since 2003

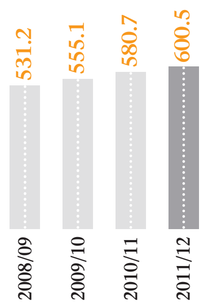
PERFORMANCE HIGHLIGHTS
12-MONTH PERIOD

1 July 2011 – 30 June 2012
(unaudited)

On 21 October 2011, Rank announced a change to its accounting reference date from 31 December to 30 June. The tables below illustrate Rank's performance for the last four 12-month periods ended 30 June (these results have not been audited). Further, unaudited information on Rank's performance based on a June year end can be found as an appendix to Rank's statutory financial statements on pages 140 to 148.

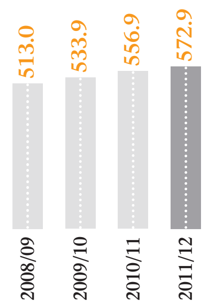
Throughout this report the 12-month period ended 30 June 2012 will be referred to as 2011/12. 2010/11 refers to the 12 months ended 30 June 2011. The Group's audited results can be found overleaf.

Revenue[1] (£m)



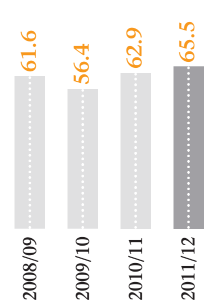
£600.5m

Statutory revenue (£m)



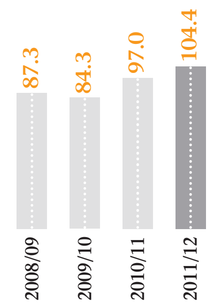
£572.9m

Operating profit[2] (£m)



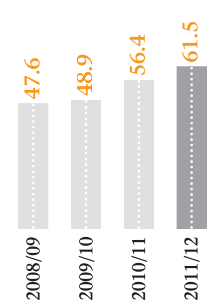
£65.5m

EBITDA[3] (£m)



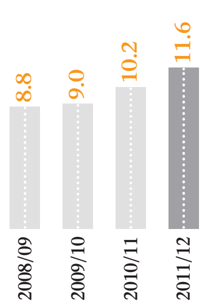
£104.4m

Adjusted profit before tax[4] (£m)



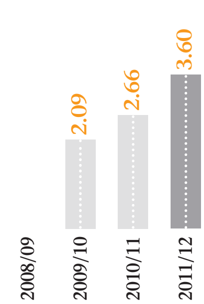
£61.5m

Adjusted earnings per share[5] (p)



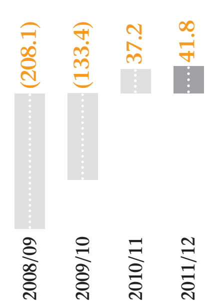
11.6p

Dividend per share (p)



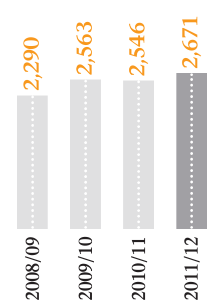
3.60p

Net cash/(debt) (£m)



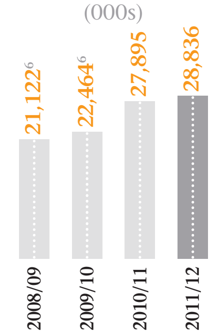
£41.8m

Customers[7] (000s)



2,671,000

Customer visits (000s)



28,836

1 Before adjustment for free bets, promotions and customer bonuses.
2 Before exceptional items.
3 Group EBITDA is Group operating profit before exceptional items, depreciation and amortisation.
4 Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of discount in disposal provisions, other financial gains or losses and the amortisation of the equity component of the convertible bond.
5 Adjusted profit per share after tax.
6 Excludes Rank Interactive.
7 Unique customers, 2010/11 restated.

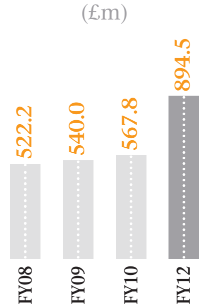
Note: All references in this report to 'like-for-like' exclude club openings and closures as well as changes to gaming taxation.

PERFORMANCE HIGHLIGHTS
18-MONTH PERIOD

1 January 2011 – 30 June 2012

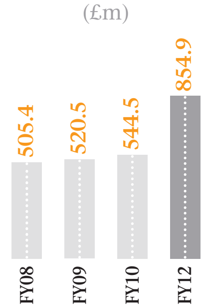
The tables below illustrate Rank's performance for the statutory reporting periods. In this first set of financial statements prepared for the new year end the audited period covers the 18 months from 1 January 2011 through to 30 June 2012 (or FY12). Prior audited periods are for the 12 months ended 31 December.

Revenue[1] (£m)



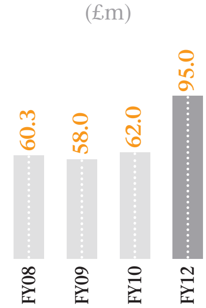
£894.5m

Statutory revenue (£m)



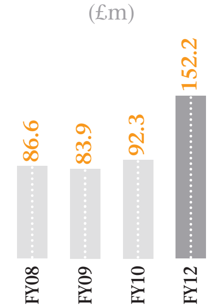
£854.9m

Operating profit[2] (£m)



£95.0m

EBITDA[3] (£m)

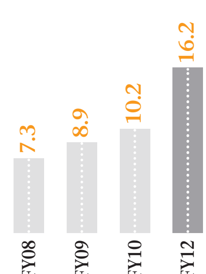


£152.2m

Adjusted profit before tax[4] (£m)

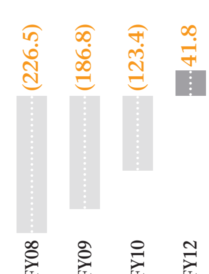
£87.8m

Adjusted earnings per share[5] (p)



16.2p

Net cash/(debt) (£m)



£41.8m

1 Before adjustment for free bets, promotions and customer bonuses.
2 Before exceptional items.
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4 Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of discount in disposal provisions, other financial gains or losses and the amortisation of the equity component of the convertible bond.
5 Adjusted profit per share after tax.

Note: All figures represent 12 months ended 31 December except FY12 which represents 18 months ended 30 June 2012.

GROUP OVERVIEW

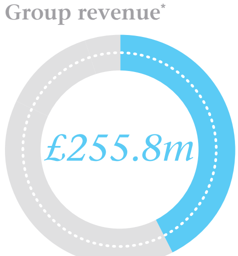
OUR BUSINESSES

Rank is a leading European gaming-based entertainment company, headquartered in Great Britain and listed on the London Stock Exchange.

GROSVENOR CASINOS

Grosvenor Casinos is Great Britain's leading casino entertainment brand. The brand serves more than 1 million customers a year across 35 venues, offering a range of popular games – roulette, blackjack, poker and baccarat – as well as jackpot slot machines and licensed bars and restaurants.

Contribution to Group revenue*



Operating profit**

£42.8m
2011/12

Market positions
- 35 licensed casino venues in Great Britain and two in Belgium

Customers

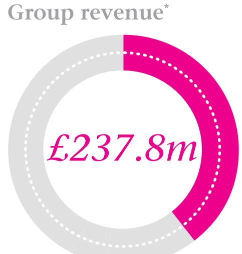
1,193,000
2011/12

Key achievements
- Successful modernisation and enlargement of estate
- Increase in customers and customer visits
- Revenue, operating profit and operating margin improvement

MECCA BINGO

Mecca is a community gaming-based entertainment brand with venues in most major towns and cities across Great Britain. Venues offer low stake, high prize games of bingo as well as a wide range of slot machines and licensed bars and restaurants.

Contribution to Group revenue*



Operating profit**

£28.3m
2011/12

Market positions
- 97 licensed bingo clubs

Customers

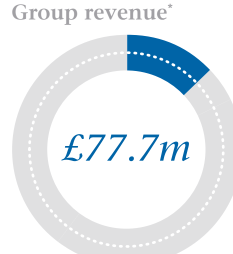
965,000
2011/12

Key achievements
- Improvements to food, drink and in-club mobile gaming offering
- More customers and rising spend per visit
- Latest phase of estate modernisation programme success

RANK INTERACTIVE

Rank Interactive distributes the Grosvenor and Mecca brands via digital media, providing gaming-based entertainment online, on mobile and on social networks. It also includes Blue Square, Rank's digital sports betting and gaming brand.

Contribution to Group revenue*



Operating profit**

£10.5m
2011/12

Market positions
- Meccabingo.com is the leading online bingo brand in Great Britain

Customers

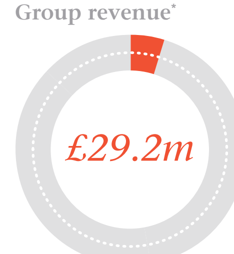
326,000
2011/12

Key achievements
- Sustained growth in meccabingo.com
- Increasing popularity of our mobile applications
- Spanish online licence granted

TOP RANK ESPAÑA

Top Rank España is Rank's Spanish operation, offering community gaming-based entertainment. Activities include bingo, video bingo, slot machines, electronic casino games and sports betting (subject to regional regulations).

Contribution to Group revenue*



Operating profit**

£1.4m
2011/12

Market positions
- 11 licensed bingo clubs

Customers

305,000
2011/12

Key achievements
- Relaunch of Macoes club under enracha brand
- Broader range of games and entertainment
- Increased customer satisfaction

* Before adjustment for free bets, promotions and customer bonuses in 2011/12.
** Before exceptional items.

GROUP OVERVIEW

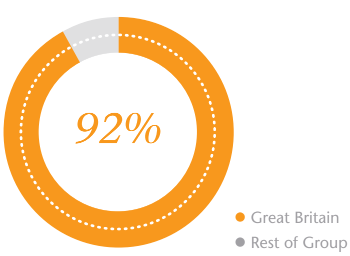
WHERE WE OPERATE

During 2011/12, Rank entertained more than two million customers across three jurisdictions – Great Britain, Spain and Belgium.

GREAT BRITAIN

Grosvenor Casinos and Mecca Bingo headquartered in Maidenhead

Group revenue by territory (%)



Adult population

51.8m

Size of gambling market

£10bn

Gambling spend per adult

£193

Broadband penetration rate

80%

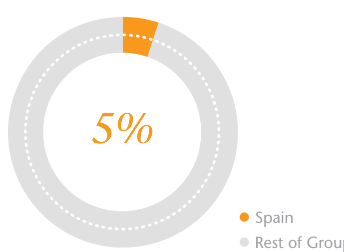
Smart phone penetration rate

51%

SPAIN

Top Rank España headquartered in Barcelona

Group revenue by territory (%)



Adult population

39.7m

Size of gambling market

€9bn

Gambling spend per adult

€227

Broadband penetration rate

62%

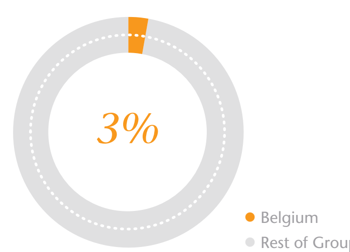
Smart phone penetration rate

44%

BELGIUM

Two casinos, in Middelkerke and Blankenberge

Group revenue by territory (%)



Adult population

8.8m

Size of gambling market

€2bn

Gambling spend per adult

€227

Broadband penetration rate

74%

Smart phone penetration rate

22%

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

"Creating fun and enjoyment for our customers is what Rank does and we've been doing it well for 75 years!"

Ian Burke
Chairman and chief executive
16 August 2012

This year, we celebrate Rank's 75th birthday. We are proud of our heritage in providing entertainment and thrills for three-quarters of a century to many millions of people in Great Britain and around the world.

Today, as in the past, our approach is built on understanding customer tastes, developing well-known and much-loved brands, taking responsibility for our actions and playing our part in building vibrant communities. An important part in how we achieve this is by employing highly motivated teams of talented, enthusiastic and loyal people. I feel privileged to work as part of this team and I thank them for the dedication, passion, integrity and ingenuity they have shown to help us achieve our goals. I am also enormously proud that, over the past 18 months, our team members and customers raised more than £525,000 for Marie Curie Cancer Care to fund respite care for cancer patients in our communities.

I am pleased to report that over the past 12 months we have made good progress in developing the business and this has enabled us to produce a

strong financial performance. We have grown earnings per share by 13.7% against a challenging economic backdrop. As a result of this performance, the board has recommended a final dividend of 2.50 pence per share making total dividends for the 12 months ended 30 June 2012 of 3.60 pence per share, an increase of 35.3% on the previous 12-month period.

In addition to the Group's strong financial performance, the period has been marked by a number of other important achievements and contributions.

First and most importantly, we have made continued progress in satisfying our customers. The Group's net promoter score (which measures how likely a customer is to recommend our brands) increased by 3.8 percentage points over the period.

We dedicated significant resource to tackling problem gambling (which affects a very small number of our customers) through active engagement with gaming regulators and charitable organisations like GamCare, the Gordon Moodie Association and Gamblers Anonymous. We reviewed and enhanced our responsible gaming training package and we have donated £305,000 to the Responsible Gambling Trust during the last 12 months.

We continued to engage with governments in a responsible, fair and transparent manner. In Great Britain, we volunteered to give evidence to the Culture, Media and Sport Select Committee; and we support the majority of the recommendations set out within the Committee's report published in July 2012.

We provided employment for more than 9,200 people directly and many thousands more on an indirect basis through our suppliers and related businesses. In addition, our activities generated more than £265 million for the UK government at national and local levels through taxes, duties and business rates. The outlook for consumers in each of our markets remains challenging, yet Rank is well placed to develop further and enjoys a strong financial position. We will continue to focus on sustainable long term growth by thrilling and entertaining our customers and playing our part in the communities we serve.

Summary of financial results

All of our businesses in Great Britain achieved revenue growth in the period. This growth, combined with a lower effective tax rate, responsible cost management and lower financing costs, led to a 13.7% rise in adjusted earnings per share in the 12 months to 30 June 2012.

Grosvenor Casinos recorded another period of revenue and operating profit growth (up 4.2% and 10.9% respectively). The Group's 37 casinos contribute 52% of Group operating profit before exceptional items and central costs.

Mecca Bingo revenues increased slightly in the 12-month period despite a slight drop in visits. Operating profit before exceptional items decreased by 5.4% because of a rise in depreciation charge, increased taxes and duties as well as an increase in property costs (following rent reviews).

Rank Interactive increased revenue during the 12-month period by 20.8% to £77.7m, with a particularly strong performance from the Mecca brand driving a 26.5% rise in operating profit before exceptional items.

Tough trading conditions in Spain resulted in Top Rank España's revenue declining by 12.8% to £29.2m. Operating profit before exceptional items was also down 65.0% to £1.4m.

The Group's effective tax rate in 2011/12 was 26.3%, down 3.1 percentage points on 2010/11 because of prior year adjustments and a fall in the headline rate of tax. The Group's adjusted net financing charge (before exceptional items) of £4.0m was £2.5m lower than in the 12 months ended 30 June 2011, reflecting a substantial strengthening of the Group's financial position.

Group performance

£m	Revenue*			Operating profit**		
	2011/12	2010/11	Change	2011/12	2010/11	Change
Grosvenor Casinos	255.8	245.4	4.2%	42.8	38.6	10.9%
Mecca Bingo	237.8	237.5	0.1%	28.3	29.9	(5.4)%
Rank Interactive	77.7	64.3	20.8%	10.5	8.3	26.5%
Top Rank España	29.2	33.5	(12.8)%	1.4	4.0	(65.0)%
Central costs				(17.5)	(17.9)	(2.2)%
Group	600.5	580.7	3.4%	65.5	62.9	4.1%

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

VAT refunds and financial position

On 10 November 2011, the European Court of Justice ('ECJ') upheld the successive rulings of the UK courts that Rank had overpaid VAT on revenue from games of bingo for periods between 1973 and 2009. As a consequence of the ECJ decision, Rank will retain the £253.4m in refunded tax and associated interest paid by HM Revenue & Customs ('HMRC') in prior periods. On 14 June 2012, the Upper Tribunal heard HMRC's case concerning the outstanding amusement machines claim. We expect to receive a decision from the Upper Tribunal later this year.
At 30 June 2012, the Group had net cash of £41.8m. Since the beginning of 2012, Rank has agreed new revolving credit facilities of £80m. These facilities mature in 2017.

Guoco Group Limited

Since the beginning of 2011, Guoco Group Limited ('Guoco Group') has increased its shareholding in the Company from 29.5% to 74.5%. Guoco Group, a member of the Hong Leong Group, is listed on the Hong Kong stock exchange and has a stake in a diverse selection of businesses which operate in China, Vietnam, Malaysia, the UK and Singapore including several businesses in the hospitality and leisure sector. Guoco Group's objective is to create long-term sustainable shareholder returns and it has a long and successful history of working with other shareholders towards this common goal. Guoco Group has consistently expressed its support of Rank's strategy since becoming a shareholder in 2007.

Our plans

Brand reorganisation

We have recently implemented a change in Rank's business model. We believe that our customers think of our business in terms of the brands that we offer, not the channels by which they are delivered. To ensure that our organisation better reflects our customers' needs we have changed the way that we manage Rank's business, moving from a channel-led approach to a brand-led approach. A single member of the executive committee is responsible for each of our brands. Phil Urban, who had managed Grosvenor Casinos' venues, is responsible for the Grosvenor brand in all channels. Mark V Jones, who had managed Mecca's venues, is now responsible for the Mecca brand in all channels. Mark A Jones will manage the Blue Square brand along with the shared service team responsible for supporting all of our brands in the remote gambling channels. Our Spanish business, Top Rank España, will remain the responsibility of Jorge Ibáñez who will be responsible for the development of our new Spanish brand, enracha.

These important changes to the way that we manage the business will also affect how we report our performance. From 1 July 2012, we will report each brand's performance as an individual business segment. This means Rank Interactive's results will no longer be shown separately. A segment for the Blue Square brand will be created.

Gala Casinos acquisition

By the end of September 2012 we aim to complete the acquisition of Gala Casinos Limited, adding up to 23 more casinos under the Grosvenor brand (as well as three more unused licences). This acquisition remains subject to UK merger control clearance. Rank shareholders approved the terms of the acquisition at a general meeting held on 26 July 2012.

Regulation and taxation

We believe that in the interests of fairness and sustainability all gambling activities should be subject to a uniform regime of regulation and taxation, unless there are clear and explicit social policy reasons for such exceptions. This means all commercial gambling opportunities offered to UK consumers, whether they are presented on a dedicated website, in a venue, on a mobile device or on a social network, are treated equally. We believe that if all operators are able to compete on a level playing field, Rank will be able to make a fair tax contribution whilst providing our customers a safe environment in which to enjoy our gaming-based entertainment.

In July 2012, the Culture, Media and Sport Select Committee published the findings of its review into the Gambling Act 2005. The cross-party committee noted that casinos 'are the most highly regulated sector' of the UK gaming market but noted that this was not reflected in the permitted areas legislation or the products casinos are entitled to offer. In response, the Committee recommended that the Government should give 1968 Act casinos (such as those operated by Grosvenor) the same freedoms as 2005 Act casinos. This means that, if enacted and provided local authority consent is received, each Grosvenor casino could be entitled to increase its number of amusement machines from 20 to a theoretical maximum of 150. The Committee also noted that local authorities should be entitled to invite casino operators to transfer an existing casino licence into their jurisdiction.

The Committee also responded to the Bingo Association's calls for a fairer tax regime. The report stated that, in principle, the bingo duty rate should be reduced from 20% to 15%, in line with other forms of gambling.

The regulation and taxation of gambling, and in particular remote gambling, remains an area of intense debate within the European Union. Many member states including the UK, Spain and Belgium have decided that they do not wish to delegate the supervision of remote gambling operators acting in their country to other jurisdictions. Instead they

have announced changes that will bring gambling operators into the scope of domestic social and tax law if such operators accept transactions in their jurisdiction.

In Spain, Rank's enracha.es site is now licensed by the Spanish authorities. The new website is authorised to provide consumers online poker, roulette and community card games. In the UK, the Government has outlined plans to change the basis of betting and gaming taxation so that tax will be due from any operator that transacts with UK consumers.

Rank welcomes this change in approach as it goes some way to reflecting the fact that betting and gaming operators, whether they are online or offline, should be subject to equivalent regulatory scrutiny and tax rules. However, the proposed changes do not go far enough to completely address this issue and Rank will continue to work with Government to press our case for fundamental reform.

Board strengthened

Two new non-executive directors have been appointed to the board in 2012. Colin Child's appointment took effect on 1 January 2012. Colin is a chartered accountant with experience in large multi-national businesses operating in a wide range of sectors, including casino gaming. The Rt. Hon. Sir Richard Needham was appointed with effect from 1 May 2012. Sir Richard had a distinguished career in Parliament and, since leaving politics in 1997, has worked in a diverse range of companies in the private sector.

The appointments of Colin and Sir Richard enable Rank to draw on considerable commercial expertise and, in the case of Sir Richard, the ability to refine our engagement with HM Government.

Our plans: brand reorganisation

The role of the brands is to meet the needs of their customers to consistently high standards across all channels of distribution. The Rank Group sets the strategic direction and provides access to the capital needed to fund the ambitions of its brands. It also acts as a locus for cost synergies, revenue synergies and expertise synergies.

The Rank Group *Our brands*

Dividend

The board is pleased to recommend that a final dividend of 2.50 pence per share be paid on 31 October 2012 to shareholders on the register at 31 August 2012.

Current trading and outlook

Since the beginning of July revenue is up 6% on the same period in 2011, with like-for-like revenue up 4%. While such a short trading period can be distorted by external factors we are pleased with the underlying trends.

While the outlook for the UK consumer seems likely to remain challenging, Rank is in a strong financial position, possesses market-leading brands and has a clear strategy for long-term growth.

Statutory period reporting

£m	Revenue*		Operating Profit**	
	FY12	FY10	FY12	FY10
Period 1	294.0	281.1	29.5	28.6
Period 2	295.9	286.7	34.6	33.4
Period 3	304.6	n/a	30.9	n/a
Total	894.5	567.8	95.0	62.0

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

Period 1 FY10 – six months ended 30 June 2010
Period 2 FY10 – six months ended 31 December 2010
Period 1 FY12 – six months ended 30 June 2011
Period 2 FY12 – six months ended 31 December 2011
Period 3 FY12 – six months ended 30 June 2012

Please note that the six-month periods defined above have not been audited. The audited periods are the 18 months ended 30 June 2012 (FY12) and the 12 months ended 31 December 2010 (FY10).

Customer needs	*Distribution channels*	
Social and competitive gaming-based entertainment	Venues, Online, Mobile	
Social, community gaming-based entertainment	Venues, Online, Mobile	
Sports-led betting and gaming	Online, Mobile	
Social, community gaming-based entertainment	Venues, Online	

MARKET REVIEW

We operate in regulated markets with a high cultural acceptance of gaming as a legitimate form of entertainment.

Overview

The Group sets clear criteria when making investment decisions in geographical markets:

– Existence of a clear regulatory framework for gambling activities;

– High cultural acceptance of gaming as a legitimate leisure pursuit;

– Developed and politically stable economies; and

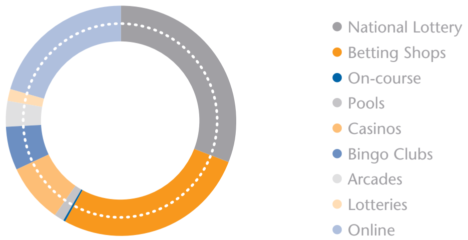
– Clear identification of opportunities for Rank to achieve positions of sustainable advantage through the application of its approach to business.

Great Britain is by far the largest of Rank's markets, representing more than 90% of Group revenue in 2011/12. Revenues from Spain and Belgium have fallen in recent years due to difficult operating conditions, with the need to adjust to social legislation (smoking bans introduced during 2011) and a prolonged period of economic weakness.

Great Britain

Great Britain is one of the largest, longest established and most stable gaming and betting markets in Europe. Cultural acceptance is high, with three in four adults in Britain participating in at least one form of gambling, according to the British Gambling Prevalence Survey 2010.

Gaming and betting revenue



Source: Gambling Commission

The National Lottery is the largest single sector of the British gambling market, with total sales (stakes) of more than £6bn and revenue (before charitable donations and taxation) of more than £3bn.

Betting shops form the second largest sector, generating around £2.8bn in annual revenue from sports betting and slot machines (in almost equal measure). The online gambling industry is estimated to be worth in excess of £2bn, although the majority of this is generated by companies in off-shore jurisdictions (according to the Department for Culture, Media and Sport, 19 of the 20 largest online gambling companies in the British market are based outside the UK).

Casinos and bingo clubs form the fourth and fifth largest segments, with annual revenues of £0.8bn and £0.6bn respectively; while amusement arcades generate £0.4bn per year.

Political and regulatory changes

The Department for Culture, Media and Sport, which has responsibility for gaming and betting in Great Britain, has announced two important reviews of regulation:

– It is proposed that all online gaming companies targeting UK customers will be required to hold a remote gaming licence from the Gambling Commission. This will replace the current regime where companies based in the European Union and certain other 'white-listed' territories (e.g. Gibraltar, Malta) may operate within the UK market without the need for a UK licence.

– The results of a review into levels of stake and prize on slot machines are expected to be announced during 2013.

In July 2012, the Select Committee for Culture, Media and Sport released its report into the effectiveness of gambling regulation in Great Britain. The report set out a number of recommendations of particular interest to Rank:

– The reduction of bingo duty from 20% to 15% of revenue, in order to achieve parity with general betting duty, football pools duty and remote gaming duty;

– The extension of slot machine entitlements enjoyed by 2005 Act casinos to all casinos (subject to licensing); and

– The ability to transfer casino licences from one area of the country to another, subject to local authority approval.

Further details of this report can be found in the chairman and chief executive's review, page 7.

Tax changes

- HM Treasury has announced the reformation of slot machines taxation from February 2013. The current regime, whereby operators pay 20% VAT as well as an annual licence fee per machine, will be replaced with machine games duty.
- As anticipated, HM Treasury has announced plans to apply remote gaming duty based upon the location of the consumer, rather than the location of the online business (most are located outside the UK). Under current plans, remote gaming duty will migrate to a point of consumption basis from December 2014. We expect that this change will have a profound effect on the UK online and mobile gaming market. Currently, UK remote gaming duty is set at 15% of revenue.

For more information, see Tax Fact File, page 53.

Spain

Despite the country's recent economic difficulties, Spain remains one of the largest gaming markets in Europe. Participation is high and Spanish people tend on average to spend more on gaming activities than most of their European neighbours.

The present regime for gaming and betting was born in 1977, following four decades of prohibition. Gaming machines and lotteries (SELAE and ONCE are the two national lottery operators) are the most popular forms, followed by bingo and casino games.

Responsibility for the regulation and taxation of the industry is largely devolved to the country's 17 autonomous communities (the largest of which are Madrid and Catalonia). While this system has resulted in a number of regional variances, it has also created an environment for more gradual regulatory evolution than in some European countries.

Recent market developments have included the introduction of sports betting shops and internet gambling. Sports betting was first permitted in Madrid and the Basque region in 2008 and has since spread to Valencia, Navarre and Aragon.

The first national internet gaming licences were issued in June 2012, covering sports betting, casino games and 'other games' (including bingo). At present, online slot-style games are not permitted in Spain. As has been the case in other jurisdictions, the need to accommodate online and mobile gambling within the scope of the country's laws has had an effect on Spain's broader gaming regulations.

During 2011, net gaming expenditure in Spain fell by 1.5% to €9.2bn.

Regulatory and tax changes

- During 2011 and 2012, Valencia, Navarre and Aragon followed Madrid and the Basque region in legalising sports betting. Other autonomous communities – possibly including Catalonia – are expected to follow.
- The first remote gambling licences were issued in June 2012. Taxation on most forms of remote gaming and betting has been set at 25% of revenue.
- During 2010 Madrid reduced the rate of taxation for bingo and in 2011 Galicia and Andalucia followed suit. In certain regions, bingo clubs may also offer internet-based games at lower rates of taxation than those applied to traditional bingo.

Belgium

Belgium is a small but well-established and relatively stable market for gambling. Gaming and betting have been popular pursuits for centuries, with the country's first recorded lottery taking place in 1465; whilst the eighteenth century casino at Spa is the oldest surviving establishment of its kind in the world.

The gaming market has been impacted in recent years by economic issues, political instability and the imposition of a smoking ban.

Remote gambling was legalised in 2012.

Regulatory and tax changes

- In February 2012, the Commission des Jeux started issuing the country's first remote gaming licences. Online and mobile gaming licences are only available to holders of conventional gaming licences (e.g. an online casino licence can only be awarded to a holder of a casino venue licence).
- Taxation for online gambling has been set at 11% of revenue. This compares favourably with the much higher rates for other forms of gambling (see Tax Fact File, page 55).

STRATEGIC OVERVIEW

A PATH TO SUSTAINABLE GROWTH

We aim to deliver sustainable growth in earnings per share by stimulating and meeting demand for gaming-based entertainment.

We perceive that consumer spending on games of chance as a form of entertainment will continue to grow both in Great Britain and globally – and that in turn this will generate additional expenditure on related non-gaming activities.

Strategy

Our strategy is to build a portfolio of vibrant consumer brands, each defined in terms of specific customer segments and occasions. Through the systematic use of customer insight and the development of multi-channel distribution capabilities, we aim to capture a greater share of the gaming market; and to achieve additional revenue growth from related non-gaming areas, based upon the needs of our customers.

In the highly regulated sphere of gaming, we recognise the need to engage effectively with governments to ensure that our economic and societal contributions are understood and valued. Through this engagement, we seek to safeguard Rank's long-term ambitions by helping to shape a supportive regulatory and fiscal environment for our business activities.

Our core market is Great Britain, where we generate more than 90% of Group revenues. In the medium term, our priority is to focus resource on strengthening our position in this market.

Current status

Rank is the fifth largest regulated gambling business in Great Britain by revenue. The Group's brands capture approximately 6% share of the country's regulated gaming and betting market.

During 2011/12, the Group continued to increase its market penetration, serving more than 2.3 million adults in Great Britain – about 4% of the country's adult population and 6% of those who participate in some form of gambling.

Our ability to distribute across multiple channels (venues, online and mobile) is a source of competitive advantage. During the year, the number of multi-channel customers increased by 11,383 to 80,039.

Non-gaming revenue grew by 3.6% to £48.8m, representing 8.1% of Group revenue. The majority of this revenue related to food and drink served in our venues, although our brands also made progress in developing a number of new sources of revenue.

The £205m proposed acquisition of Gala Casinos (which remains subject to merger control clearance) will enhance our position by broadening both our customer base and our distribution footprint.

Brand strategies

Across the Group we have adopted a three-stage approach to building and developing our brands

1
Systematic use of data and customer feedback

2
Capital investment to extend the reach and broaden the distribution of our brands

3
Multi-channel distribution of our brands

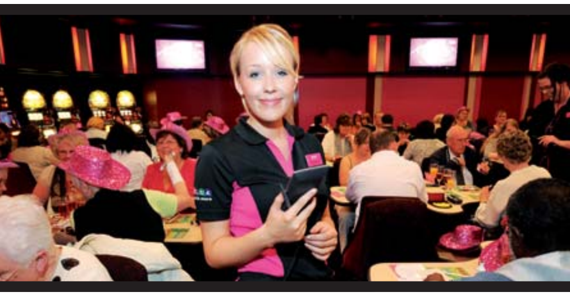
STRATEGIC UPDATE

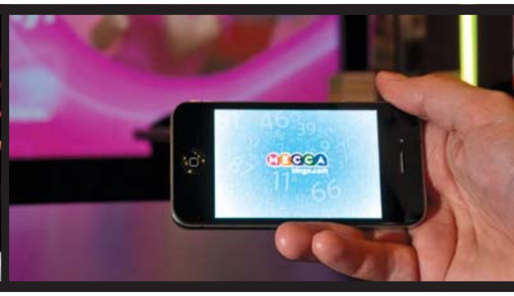
DEVELOPING A STRATEGY FOR GROWTH

Mecca, Grosvenor, Blue Square and enracha each have a distinctive character. Rank brings a common strategic framework to develop these brands successfully.

STRATEGIC PRIORITY	PROGRESS 2011/12	KPIs	PRIORITIES 2012/13	KEY RISKS
1 systematic use of data and customer feedback to inspire service and product improvement	✔ extension of upgraded dining service in Mecca venues ✔ roll out of 8,055 Mecca Max mobile gaming terminals across all clubs ✔ upgrading Mecca amusements in line with regulatory reform	49.7% Net promoter score (2010/11: 45.9%) £224.82 Average revenue per customer (2010/11: £228.08) £20.82 Spend per visit (2010/11: £20.82)	– develop programme of engagement with our target customers to increase visitation – Grosvenor brand standards to be applied across the estate	– Economic environment
2 capital investment to extend the reach and broaden the appeal of our brands	✔ G Casino format extended to 19 venues ✔ Three new casinos built ✔ Mecca Wood Green upgraded to Full House format	2.7m Customers (2010/11: 2.5m) 28.8m Customer visits (2010/11: 27.9m)	– open two new Grosvenor Casinos in G Casino format – convert four more Mecca venues to Full House format	– Loss of licences – Economic environment – Taxation and regulation
3 multi-channel distribution of our brands	✔ meccabingo.com revenue up 24.9% ✔ offline:online crossover up 0.3 percentage points ✔ launch of Spanish site enracha.es ✔ developed strategy for Belgian licences	3.4% of our customers played online and offline (2010/11: 3.1%)	– develop enracha brand through venue based promotion and launch of online bingo – review social gaming opportunity	– Economic environment – Taxation and regulation – Loss of licences See key risks on page 65

✔ Achieved 2011/12 priority.





Strategic 1 update

Systematic use of data and customer feedback

The desire to understand more about customer attitudes and behaviours in order to refine our products and services and inspire innovation is the keystone of our approach. Driving this to the heart of our operations through systems development and customer and employee engagement is critical to the achievement of our goals.

1.1 Customer focus through insight and engagement

During the course of 2011/12, we increased our investment in developing our insight capabilities. This included:

- the development of customer segmentation systems for each of our brands, based upon quantitative and qualitative measures of behaviour;
- the re-launch of Grosvenor's Play Points rewards programme and its extension to a further seven venues;
- the development of a new Mecca rewards programme;
- the collection and analysis of more than 64,500 individual pieces of customer feedback;
- the extension of customer feedback system to our Spanish operations;
- five major pieces of consumer research; and
- the implementation of quarterly brand awareness and consideration tracking system.

1.2 Insight into action

What we learn about our customers and potential customers through the insights programme drives our key business decisions. In this section, we have picked out two areas of the programme in order to illustrate this approach.

Rewards

At 30 June 2012, more than 940,000 customers were members of Grosvenor's Play Points rewards and the programme tracked half of the revenue in the 28 clubs where it was available. In May 2012, following customer research, the programme was re-launched with the addition of a new 'gold' tier for higher value customers.

The tiered system is designed to recognise our most loyal customers and to provide our marketing and operational teams with the ability to tailor rewards and benefits more closely to customer needs. We are continuing to develop Grosvenor's Play Points into a cross-channel programme to allow us to reward customers in venue, online and on mobile.

Mecca has relaunched its Lucky Swipes rewards scheme in the last year. Lucky Swipes rewards customers for swiping their cards at a series of touchpoints in our venues by entering them into a prize draw for every swipe. The scheme was extended to a further six clubs in the last year. In total, 14 Mecca venues now offer Lucky Swipes.

Brand awareness and consideration

During 2011/12, we commissioned YouGov to institute a quarterly awareness and consideration survey for gaming and betting brands in Great Britain. The survey results revealed areas of strength and weakness in our brand portfolio.

	Mecca	Grosvenor Casinos	Blue Square
Awareness[1]	87%	44%	44%
Consideration[2]	17%	10%	5%
Action[3]	13%	7%	3%

1 Awareness: percentage of respondents (who have gambled in the preceding twelve months) who are aware of the brand when prompted.
2 Consideration: percentage of respondents who would consider using a brand's products.
3 Action: percentage of respondents who have visited brand's premises/used brand products online.

Mecca scored highly for brand recognition (bettered only by national sports betting brands), reflecting the heritage of the brand, the national distribution of clubs and recent TV advertising. Conversion from awareness to action (visit to brand) was low with only one person in seven who had heard of the brand actually visiting one of its venues. We are addressing this through continued product and service improvements and through advertising designed to challenge preconceptions about the brand.

Grosvenor Casinos achieved a lower score for brand recognition. This is likely to reflect its more limited distribution, the effect of a historic advertising ban on casinos (eased in 2007) and an inconsistent approach to venue branding.

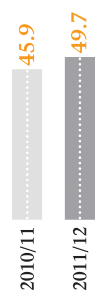
Grosvenor is in the process of applying consistent brand standards across all of its venues and making better use of club interiors and exteriors to generate awareness.

Blue Square achieved a low score for brand recognition, reflecting the relative youth of the brand and the absence of any venue-based distribution.

Blue Square announced a number of tie-ups with pub and sports bar operators (including Rileys, Walkabout and Stonegate Pubs), aimed at growing brand awareness and encouraging customers to use the brand's mobile apps to bet on live sports coverage.

Key performance indicators

Net promoter score (%)



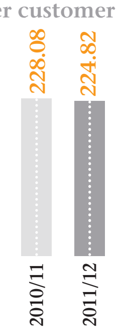
49.7%

Measurement:
Through customer feedback

Why it is important
Guides product and service improvements by measuring the propensity of our customers to recommend our brands to their friends

Performance:
3.8% point increase from 2010/11 to 2011/12

Average revenue per customer (£)



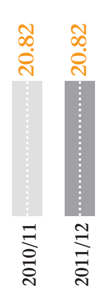
£224.82

Measurement:
Total revenue divided by number of customers

Why it is important
Aids business planning by measuring the annual financial value of our customer relationships

Performance:
1.4% decrease from 2010/11 to 2011/12

Spend per visit (£)



£20.82

Measurement:
Total revenue divided by the total number of customer visits

Why it is important
Aids business planning by measuring the financial value of each customer visit

Performance:
In line with 2010/11

Strategic 2 *update*

Capital investment to extend the reach and broaden the distribution of our brands

During 2011/12 we invested £50m of capital across the Group. More than 78% of this was deployed in our Grosvenor Casinos and Mecca clubs, enhancing existing venues and adding new ones. In addition, we developed innovative ways to extend the reach of our brands through digital channels.

Grosvenor Casinos – the modernisation and expansion of the Grosvenor Casinos estate is the primary component of the Group's growth strategy. Since its launch in 2006, the Grosvenor brand's 'G Casino' format has proven successful in reaching out to a broader base of customers and generating significantly higher levels of profit than traditional provincial casinos.

	Venues	Average visits/week*	Average spend (£)/visit*	Average EBITDA week (£'k)*
G Casino	19	3,766	31.35	33.7
Traditional provincial casino	12	2,508	30.52	19.2

* Calculated on a like-for-like basis.

This model is now the brand standard for Grosvenor and we are focused on rolling it out across the estate as well as into new local markets.

During 2011/12 we opened three new casinos under the Grosvenor brand – at Stockton-on-Tees, Didsbury in Manchester and New Brighton on Merseyside – at a capital cost of £14.1m.

At 30 June 2012 we operated 35 casino venues in Great Britain (incorporating 37 licences).

During 2012/13, we plan to open a further two new casinos – in Southend-on-Sea and Reading – at a capital cost of £13.2m.

Mecca – the modernisation of the Mecca estate represents a major opportunity for Rank. The brand's clubs act as important social hubs in the communities they serve, and hold particular appeal for women. All of the brand's venues are licensed as bingo clubs (although many also have adult gaming centre licences on the premises as well), which allows for a broad range of gaming and non-gaming activities, including:

- low stake/high prize (unlimited jackpot) pari-mutuel gaming;
- unlimited number of slot machines;
- licensed bars and restaurants; and
- live music and entertainment.

The brand is part-way through a major programme of venue modernisation to enable Mecca clubs to deliver consistently high standards of gaming-based entertainment. During 2011/12, we invested £3.5m in venue enhancements.

Full House Destination – the Full House Destination club model was launched in 2009 with the aim of modernising the community gaming experience. The format features a lounge for electronic gaming and After Dark late night events, a large and attractive bar area, an extensive slots arcade and an outside terrace.

As with the 'G Casino' model, it has been successful in reaching out to a broader range of customers than traditional bingo clubs.

	Venues	Average visits/week*	Average spend (£)/visit*	Average EBITDA week (£'k)*
Mecca Full House Destination	7	3,953	18.40	15.6
Traditional Mecca venue	90	2,732	16.41	9.9

* Calculated on a like-for-like basis.

In March 2012, we converted our club at Wood Green in north London to the Full House Destination format. Recognising that the level of capital investment in the early Full House Destination clubs had made it difficult to generate an adequate return, we carried out a cost-engineering exercise. As a consequence, the project to convert our Wood Green club cost £0.6m – or about 40% of the cost of previous conversions.

We have been encouraged by early trading at the venue and, subject to further performance evaluations, plan to invest a further £2.8m in 2012/13 to upgrade an additional four clubs.

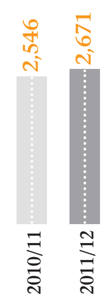
Full House Local – is an investment programme designed to upgrade traditional bingo clubs (often former cinemas) which are unsuitable for conversion to the Full House Destination format. These projects typically include internal and external décor refreshment, improvements to toilets and kitchen upgrades to enable cook-to-order food service.

During 2011/12, we invested £3.0m in upgrading 13 of these clubs. A further eight upgrades are planned in 2012/13 at an estimated cost of £2.0m.

At 30 June 2012, Mecca operated 97 branded venues, including seven under the Full House Destination format.

Key performance indicators

Customers* (000s)



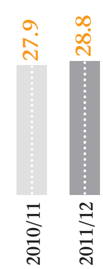
2,671

Measurement:
Total number of unique customers who have visited our land-based venues at least once and/or placed a bet online

Why it is important
Provides a measure of market penetration

Performance:
2.9% increase from 2010/11 to 2011/12

Customer visits (m)



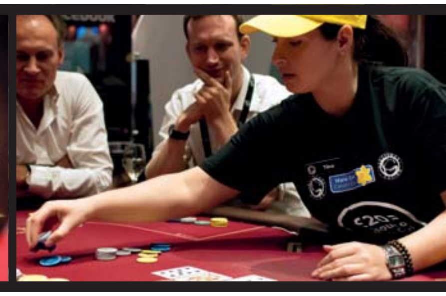
28.8

Measurement:
Total number of customer visits to our land-based venues and transactional sessions online

Why it is important
Aids business planning by measuring the popularity of our brands

Performance:
3.4% increase from 2010/11 to 2011/12

* 2010/11 restated.



Strategic 3 *update*

Multi-channel distribution of our brands

The development of established, trusted brands, distributed to suit customer preference, is a key component of our strategy; and our ability to engage with customers in venue, online or on mobile is an important source of competitive advantage.

During the course of 2011/12, we achieved 1.2% growth in revenue from venues and 20.8% growth from digital media (online and mobile). The fastest growing channel of distribution was mobile media which increased revenue by 158% to £7.2m, with 30% of our customers in Great Britain playing with our brands on mobile devices.

Brand performances

During 2011/12, our two largest brands, Grosvenor Casinos and Mecca, achieved growth in revenues.

	Revenue (£m)	
Brand	2011/12	2010/11
Grosvenor Casino	261.8	249.0
Mecca	294.0	282.6
Blue Square	15.5	15.6
Top Rank España	29.2	33.5

Grosvenor Casinos

Revenue from Grosvenor Casinos increased by 5.1% to £261.8m, with 98% generated by the brand's venues. Online and mobile revenues grew by 66.7% to £6.0m as a result of better in-venue promotion of the brand, product upgrades (including the launch of a new iPhone app) and an increase in marketing expenditure. Despite this growth, Grosvenor's digital casino remains subscale. We believe that closer integration between venues and digital channels is the key to realising the brand's multi-channel potential.

Mecca

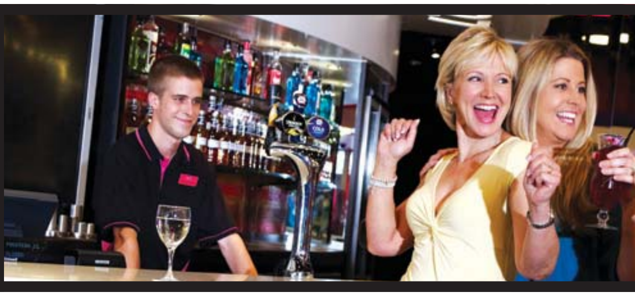
Mecca brand revenue of £294.0m was 4.0% ahead of the prior year, with 81% generated in venues and 19% via digital channels. Online and mobile revenues grew by 24.6% to £56.2m as a result of sustained cross-channel marketing, product upgrades, the strength of the Mecca brand and a number of high profile advertising campaigns. As a consequence, Mecca is now one of the most popular and successful digital bingo brands in Great Britain.

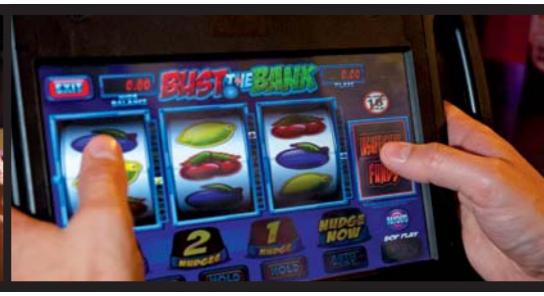
For commentary on Blue Square (digital only) and Top Rank España (venues only) see the operating review (pages 32 and 36).

Multi-channel progress

	Multi-channel customers		% of total brand customers	
Brand	2011/12	2010/11	2011/12	2010/11
Grosvenor Casinos	7,247	4,950	0.6%	0.4%
Mecca	59,049	54,302	5.5%	5.2%

During the year, 3.4% of our customers engaged with our brands both in our venues and through our digital channels. This rate of cross-over represented a 0.3 percentage point increase compared with 2010/11. Cross-over between Mecca's venues and digital channels increased by 0.3 percentage points to 5.5%; while Grosvenor's grew from 0.4% to 0.6%.





Enracha – a new brand for Spain

During 2012/13, Rank will launch enracha, a new brand for the Spanish gaming market. Initially, the brand will be distributed via licensed venues and a branded website. The first enracha venue is our Macoes club in Madrid, which underwent a major modernisation programme in 2011/12. The club now features a wide range of gaming, betting and entertainment amenities, including electronic poker, electronic roulette, jackpot slot machines, video bingo terminals, sports betting, bingo and a bar and restaurant. Against a difficult operating environment, the club has outperformed the market and the rest of our Spanish estate, and has proven successful in attracting a broader (and younger) customer base. During 2012/13 we plan to convert another two Top Rank España clubs to the enracha brand.

On 1 June 2012, Rank was awarded licences to operate online and mobile gaming in Spain. This has allowed Rank to establish a licensed brand website (www.enracha.es), offering a range of games, including traditional Spanish favourites mus and chinchon, as well as roulette and poker. We expect to be able to offer bingo online from the third quarter of 2012/13. However, until online slot games are brought within the licensing regime enracha.es is unlikely to make a material contribution to the Group's results.

Belgium – a new brand partner

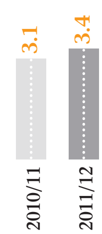
The legalisation of online gaming exclusively for licensed (land-based) gaming companies in Belgium presented Rank, as the operator of two of the country's nine casinos, with a new opportunity for growth in that market. Given the complexity and cost of regulation in Belgium, we prefer a partnership approach rather than entering the market directly. On 14 August 2012, we agreed the terms of a strategic partnership with online sports betting operator Unibet to secure a licensed online casino for the Belgian market. This partnership remains subject to approval by the Belgian Gaming Commission.

Social networks – a new route to market

The increasing popularity of gaming via social networks represents both an opportunity and a challenge for Rank's brands. In response to customer demand, we intend to make a number of 'social games' available to play on Facebook during 2012/13. Nevertheless, whilst we are excited by the opportunity that these games represent for market growth, we remain concerned about the absence of regulation in this sector.

Key performance indicators

Offline-online crossover (%)



3.4%

Measurement:
Through our customer relationship management system

Why it is important
Aids business planning by measuring the effectiveness of our brands in reaching customers

Performance:
0.3% increase from 2010/11 to 2011/12

GROSVENOR CASINOS

> *Grosvenor's venues now attract over half a million more customers than six years ago.*

Phil Urban
Grosvenor Casinos

GROSVENOR CASINOS

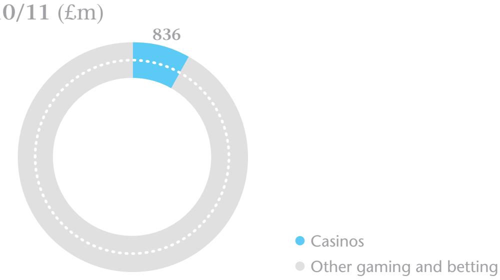
INDUSTRY OVERVIEW

Licenced casinos replaced private members clubs offering casino games in 1970. Casinos now account for 8% of consumer expenditure on gaming and betting in the UK and are viewed as the most responsible gaming venues.

Casinos – Great Britain

Casinos form a small but growing segment of Britain's gaming industry. During 2010/11, casinos generated £836m in gaming revenue, representing around 8% of net consumer expenditure on gaming and betting.

Gaming and betting – net consumer expenditure 2010/11 (£m)



Source: Gambling Commission

Licensed casinos first appeared in Great Britain in 1970, following enactment of the 1968 Gaming Act (the "1968 Act"). Prior to this, many hundreds of informal private members clubs had offered casino-style games; some of these clubs had done so since the early nineteenth century.

Until the middle of the last decade, casinos in Great Britain had been subject to a range of regulatory restrictions that inhibited the growth of the sector. With the removal of a number (though not all) of anachronistic regulations as well as substantial investment by leading domestic and international operators, casinos have moved further towards the mainstream of British leisure and entertainment.

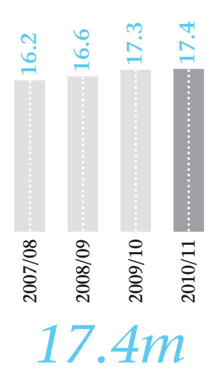
Casinos are viewed as being amongst the most responsible venues for gaming to take place. Customers must be at least 18 years of age, most venues have proof of identity as an entry requirement and levels of supervision and social interaction are high.

An increasingly popular leisure choice

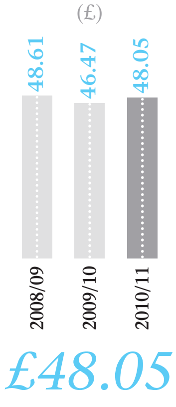
Visiting a casino is a leisure choice for a small but growing number of people in Great Britain. Attendance levels continued to increase in 2010/11, albeit at a slower rate than in previous years, with the number of visits rising from 17.3 million to 17.4 million. The number of individual customers who visit casinos is not recorded, although the British Gambling Prevalence Survey 2010 showed that 4% of British adults played table games in a casino in that year.

In recent years, the average cost of a visit to a casino has remained relatively stable at under £50 a visit (includes expenditure on food, drink, entertainment and gaming). This figure (which is slightly distorted by higher spending customers in London) is comparable with other leisure and entertainment activities, such as a visit to the theatre, a concert or a major sporting event.

Casino attendance (million visits)



Spend per visit (£)



Source: Gambling Commission

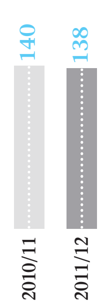
An increasingly complex sector

At June 2012, there were 138 licensed casino venues operating in Great Britain, a number that has stayed relatively stable over recent years. All but one of these casinos were licensed under the 1968 Act. When the 1968 Act was superseded by the 2005 Gambling Act ("the 2005 Act") the rights of these casinos were 'grandfathered'.

The 2005 Act created two new classifications of casino licences (eight 'large' and eight 'small') which were allocated to 16 local authorities for the purpose of tendering. These 2005 Act licences offer significant advantages over 1968 Act casinos, most notably the provision of significantly higher numbers of slot machines and the ability to offer sports betting and (in the case of the eight 'large' casinos) games of bingo.

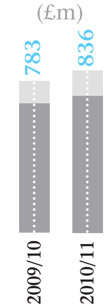
During 2011, the first of these casinos was opened by Aspers (owned by Crown Limited of Australia) at Stratford in east London. A further six 2005 Act licences have been awarded, while three other local authorities have begun the tendering process. It is unclear what will happen to the remaining licences and – as a consequence of a number of policies, including regressive tax changes introduced in 2007 – it is possible that some may never be awarded.

Casino venues



138 venues

Gaming revenue from casinos in Great Britain (£m)



£836m

● Tables
● Slots

Source: Gambling Commission/Rank Group Insights

2005 Act casinos – status

Area	Type	Operator	Status
Newham, London	Large	Aspers	Opened December 2011
Solihull	Large	Genting	Opens 2014
Milton Keynes	Large	Aspers	Opens 2013
Hull	Large	No operator	Opening date undisclosed
Scarborough	Small	Nikolas Shaw	Opening date undisclosed
Leeds	Large	TBC	Licence under tender
Bath	Small	TBC	Licence under tender
Luton	Small	TBC	Licence under tender

Note: 2005 Act casinos licences also allocated to Great Yarmouth, Middlesbrough and Southampton (all 'large casinos'); and in Dumfries & Galloway, East Lindsey, Swansea, Torbay and Wolverhampton ('small casinos'). At June 2012, the process to award these licences had not commenced.

Sustained revenue growth

Casinos grew revenue by an estimated 4% to £836m in the year to September 2011, with a particularly strong increase from slot machines.

Casino table games (including electronic versions) generate approximately 85% of the sector's gaming revenue, while slot machines represent just 15%. This is due in large part to current regulatory restrictions which limit the number of slot machines in 1968 Act casinos to just 20, regardless of the size of the venue or the level of consumer demand. As a consequence of this regulation, there are fewer than 3,000 slot machines across the entire sector – or a little over 1% of the country's total supply of slot machines. This is in spite of the evidence of the Gambling Commission's own research which strongly suggests that casinos are amongst the most responsible venues for slot machine gaming to take place.

It is Rank's view that the arbitrary limitations on slot machines in British casinos has held back the sector's development. In July 2012, the Select Committee for Culture, Media and Sport arrived at a similar conclusion and recommended that casinos be permitted a higher number of slot machines (up to 150 per venue dependent on the fulfilment of conditions).

According to the National Casino Industry Forum, British casinos generate as much as 95% of revenues from gaming activities. Non-gaming activities (such as food and drink, entertainment and hospitality) represent a low percentage of casino revenues by comparison with other markets.

Supply remains stable

During the year to July 2012, the number of casinos operating in Britain fell slightly to 138 with 5 new casino openings and 7 closures. Yet while the overall number of British casinos declined, the quality continued to rise as a result of considerable investment in the sector.

Grosvenor opened three new casinos – at Stockton-on-Tees, Didsbury (South Manchester) and New Brighton. In addition, two major new venues opened in London. The first 2005 Act casino was opened by Aspers at Stratford in east London; and a major new independent casino opened at the Hippodrome in Leicester Square.

At June 2012, Genting was the largest operator (by venues) of licensed casinos in Great Britain.

Casinos in Great Britain

	July 2012		July 2011	
Company	Casino venues	Licences	Casino venues	Licences
Genting	39	57*	39	55
Grosvenor Casinos	35	47	35	47
Gala Casinos	25	31	27	31
London Clubs	10	11	10	11
A&S Leisure	6	6	6	6
Aspers/Aspinall's	5*	8*	4	7*
Club 36	3	3	3	3
Clockfair	2	2	2	2
Guoco	1	6	1	6
Others	12	22*	13	21*
Total	138*	193*	140	189*

* Includes 2005 Act casino licences.

Source: Gambling Commission/Rank Group Insights

Casinos – Belgium

Casino gaming has been popular in Belgium since the eighteenth century and its casino at Spa is the oldest operating casino in the world.

At 30 June 2012, there were nine casinos in Belgium, operated by four different companies. According to the most recently available data from the Belgian regulator, the Commission des Jeux, the sector generated total revenue of €127.0m in 2010 – up 5.9% on the prior year. However, this performance pre-dated the country's smoking ban which is believed to have had a negative effect on trading.

Casinos in Belgium

	Casinos	
Company	June 2012	June 2011
Groupe Partouche	4	4
Grosvenor Casinos	2	2
Circus Groupe	2	2
Casinos Austria	1	1
Total	9	9

Source: Rank Group Insights

GROSVENOR CASINOS

Grosvenor Casinos has recorded a fourth successive year of revenue and operating profit growth. Total revenue is up 4.2% with a rise in like-for-like revenue of 3.9% on 2010/11 as Grosvenor's venues continued to attract more customers and more customer visits.

A rise in revenue along with a disciplined approach to costs has driven operating profit up 10.9% to £42.8m. Employment costs and depreciation both increased as a result of the successful roll-out of the 'G Casino' model. All other costs increased at rates below the level of inflation.

Key performance indicators

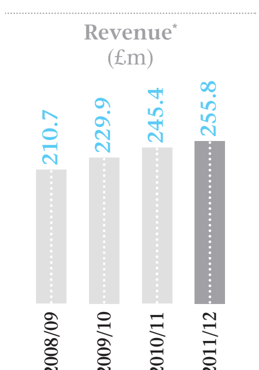
	2011/12	2010/11	Change
Customers* (000s)	1,193	1,113	7.2%
Customer visits (000s)	6,095	5,742	6.1%
Spend per visit (£)	41.97	42.74	(1.8)%
Net promoter score	47.8%	41.7%	6.1%
Crossover	0.6%	0.4%	0.2%
Average revenue per user (£)	214.42	220.49	(2.8)%

* Customers shown on a moving annual total ('MAT') basis.

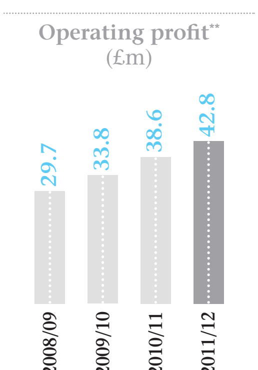
Our estate modernisation programme and a sharpened focus on service excellence contributed to improved customer satisfaction, with a 6.1 percentage point increase in net promoter score. This in turn drove a 6.1% gain in customer visits; although spend per visit declined by 1.8% due to major player activity.

Revenue declined slightly in Grosvenor's London casinos despite continued growth in customer visits. Disciplined cost controls and a reduction in bad debts led to a 13.1% increase in operating profit. The brand's provincial estate benefited from the addition of three new casinos and the conversion of one existing venue to the 'G Casino' format. Higher customer visits to Grosvenor's British casinos led to increases across all revenue streams (see 'revenue analysis', page 27).

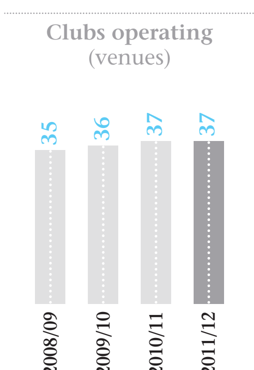
Visits to our Belgian casinos rose slightly but the smoking ban (which caused a reduction in customer dwell time) and negative movements in the foreign exchange rate led to a 7.8% decline in revenue. We recorded an operating loss of £0.7m from our operations in Belgium, due principally to a rise in the amortisation charge.



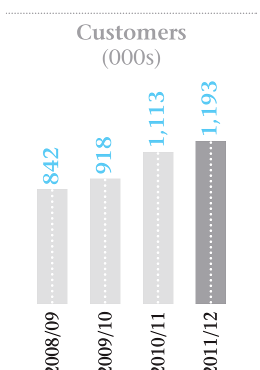
£255.8m



£42.8m



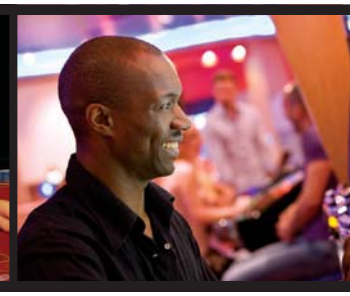
37 venues



1,193,000

* Before adjustment for free bets, promotions and customer bonuses.
** Before exceptional items.





Performance

	2011/12	2010/11	Change
Revenue* (£m)	255.8	245.4	4.2%
Like-for-like revenue	3.9%		
EBITDA** (£m)	57.6	50.7	13.6%
Operating profit** (£m)	42.8	38.6	10.9%
Operating margin	*16.7%*	*15.7%*	*1.0%*

Regional analysis

	Customer visits (000s)		Spend per visit (£)		Revenue* (£m)		Operating profit** (£m)	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
London	1,118	1,059	84.88	90.56	94.9	95.9	20.7	18.3
Provinces	4,647	4,354	31.33	30.52	145.6	132.9	22.8	20.0
Belgium	330	329	46.36	50.46	15.3	16.6	(0.7)	0.3
Total	6,095	5,742	41.97	42.74	255.8	245.4	42.8	38.6

Revenue* analysis – Great Britain only

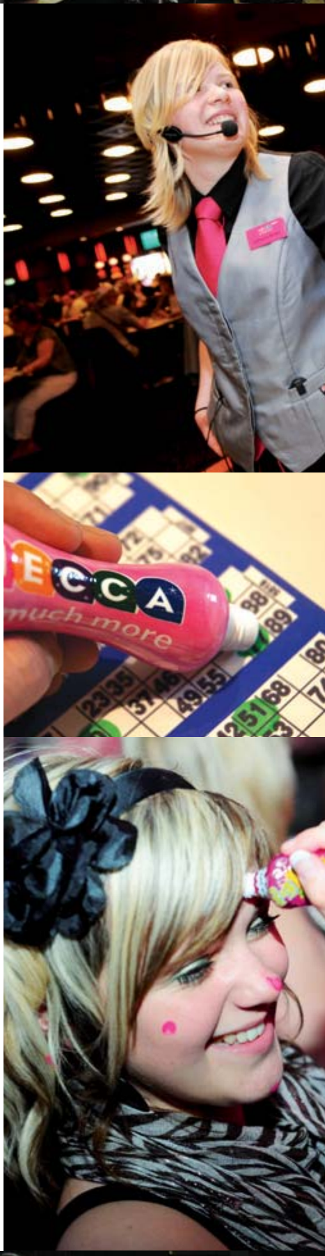
£m	2011/12	2010/11	Change
Casino games	169.3	162.3	4.3%
Gaming machines	39.4	36.9	6.8%
Card room games	12.0	11.5	4.3%
Food & drink/other	19.8	18.1	9.4%
Total	240.5	228.8	5.1%

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

MECCA BINGO

Mecca's brand has stood for community-based entertainment for over fifty years. Improvements to the quality of our bars and restaurants and the introduction of mobile gaming will ensure that the experience remains as thrilling as ever.

Mark V Jones
Mecca Bingo



MECCA BINGO

INDUSTRY OVERVIEW

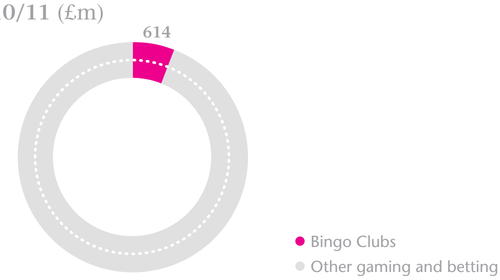
Licensed bingo clubs were introduced to Great Britain more than half a century ago and the sector remains one of the largest in Britain's gambling industry. In the year to September 2011, bingo clubs generated £614m in gaming revenue – about 6% of the total gaming and betting market.

Bingo clubs – Great Britain

Licensed bingo clubs first appeared in Great Britain in 1961, following the legalisation of commercial bingo under the 1960 Betting and Gaming Act. The nation's cinemas were among the first to take advantage of the opportunity to provide bingo, playing games between screenings of motion pictures. Rank's first bingo club was formed at the Odeon Cinema in London's Hackney Road and to this day a significant proportion of the nation's clubs are still housed in former picture palaces.

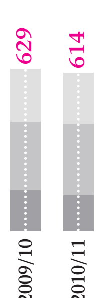
Despite a decline in the number of clubs and the number of players, bingo remains an important social pastime in Great Britain, particularly for women. According to the British Gambling Prevalence Survey, 8% of adults (and 10% of women) played bingo in a club during 2010.

Gaming and betting – net consumer expenditure 2010/11 (£m)



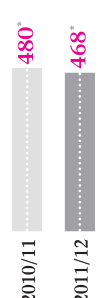
Source: Gambling Commission

Licensed bingo clubs revenue (£m)



£614m

Licensed bingo clubs



468 venues

- Main stage bingo
- Interval games
- Slots

* Excludes slots arcades relicensed as bingo clubs.

Source: Gambling Commission/Rank Group Insights

Customers are required to be at least 18 years of age in order to play in a bingo club and club membership is common even though it is no longer required by law.

Revenue lower despite regulatory improvements

During the year to September 2011, bingo clubs generated £614m in gaming revenue, a 2% decline on the prior year with lower customer spending both on games of bingo and on slot machines.

Bingo revenue was 2% lower, with an increase in spending on interval games only partially offsetting a fall in main stage bingo. The participation fee margin on bingo games expanded slightly from 32% to 33%.

Revenue from slot games was 3% lower despite an increase in the overall number of machines deployed in bingo clubs (due to more flexible regulations and increased distribution of slots games on handheld gaming terminals).

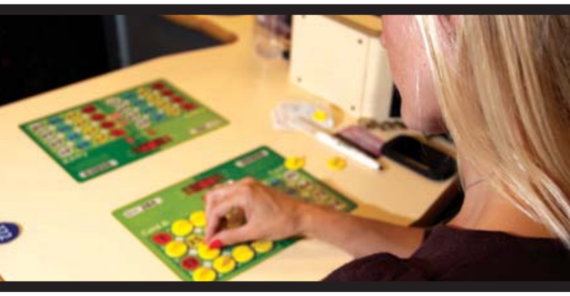
Licensed bingo clubs

The number of licensed bingo clubs has declined by around one-third since 2001 as a result of heightened competition from other leisure and gaming sectors, changing customer preferences and the impact of legislation (principally the smoking bans of 2006-2007). The rate of decline slowed in the year to June 2012, with just 11 clubs closing (compared with more than 30 in 2006/7).

At 30 June 2012, there were an estimated 468 bingo clubs operating in Great Britain*, down from 480 a year earlier. Mecca closed three clubs over the last 12 months, exiting a number of loss-making venues with little opportunity for modernisation. Mecca remains the second largest operator of licensed bingo clubs in Great Britain, after Gala Bingo.

Company	June 2012	June 2011
Gala Bingo	143	144
Mecca	97	100
Top Ten Bingo	22	22
Carlton Clubs	14	14
Others	192	200
Total	**468**	480

Source: Gambling Commission/Rank Group Insights



MECCA BINGO

The improvements to the quality of the services offered by Mecca's venues have prompted increases to our customers' spend per visit in the 12-month period ending 30 June 2012. As a result, total revenue has increased 0.1% during 2011/12. On a like-for-like basis (excluding the effect of three club closures), revenue increased 2.0%.

Operating profit fell 5.4% because of a rise in taxes and duties, property costs (following rent reviews) and an increase in Mecca's depreciation charge. Mecca's controllable costs rose at sub-inflationary levels and the closure of three clubs meant that the Group's employment costs fell in comparison to 2010/11.

Key performance indicators

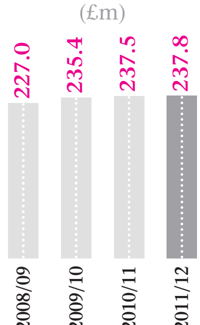
	2011/12	2010/11	Change
Customers* (000s)	965	924	4.4%
Customer visits (000s)	14,407	14,656	(1.7)%
Spend per visit (£)	16.51	16.20	1.9%
Net promoter score	58.8%	53.7%	5.1%
Crossover	5.2%	4.3%	0.9%
Average revenue per user (£)	246.42	257.03	(4.1)%

* Customers shown on a moving annual total ('MAT') basis.

Improvements to Mecca's products and services along with investment in venue refurbishments attracted 4.4% more customers, who are predominantly under 35, and increased Mecca's customer satisfaction (measured by net promoter score) by 5.1% to 58.8%. Mecca's latest Full House Destination venue in Wood Green, converted at a capital cost of £0.6m, has performed well and we have plans to carry out four similar conversions to prove this concept over the next 12 months.

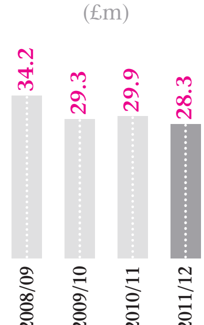
Over the last 12 months Mecca has completed the upgrade of its venues' food and beverage offering and has completed the introduction of Mecca Max tablet pcs in all of its venues. These initiatives, along with an improvement in the management of our bingo promotions, have seen revenue increases in main stage bingo (up 2.0%) and food and drink (up 2.7%).

Revenue* (£m)



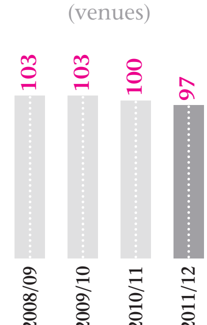
£237.8m

Operating profit** (£m)



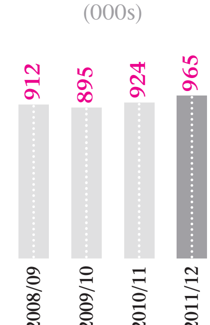
£28.3m

Clubs operating (venues)



97 venues

Customers (000s)



965,000

* Before adjustment for free bets, promotions and customer bonuses.
** Before exceptional items.

Performance

	2011/12	2010/11	Change
Revenue* (£m)	237.8	237.5	0.1%
Like-for-like revenue	2.0%		
EBITDA** (£m)	44.0	44.4	(0.9)%
Operating profit** (£m)	28.3	29.9	(5.4)%
*Operating margin***	*11.9%*	*12.6%*	*(0.7)%*

Revenue* analysis

£m	2011/12	2010/11	Change
Main stage bingo	41.5	40.7	2.0%
Interval games	104.9	105.2	(0.3)%
Amusement machines	65.2	66.1	(1.4)%
Food & drink/other	26.2	25.5	2.7%
Total	237.8	237.5	0.1%

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

"Mecca's customers have responded positively to the improvements to our venues. Our challenge is to introduce a wider audience to Mecca's unique mix of female-friendly gaming and entertainment."

Mark V Jones
Mecca Bingo


Rank Interactive

Rank Group

RANK INTERACTIVE

> *Rank Interactive has achieved strong growth by capitalising on the strength of our brands.*

Mark A Jones
Rank Interactive

MECCA bingo.com

enracha

BLUE SQ BET

GROSVENOR CASINOS
grosvenorcasinos.com

RANK INTERACTIVE

INDUSTRY OVERVIEW

The popularity of remote gambling has continued to grow over the last 18 months. Governments around the world are considering how to respond to this trend.

Remote gaming and betting

During 2011/12, the landscape of online and mobile gambling continued to shift, with a number of European jurisdictions introducing legislation to regulate the sector; and attempts at both state and federal level to regulate the activity in the United States of America.

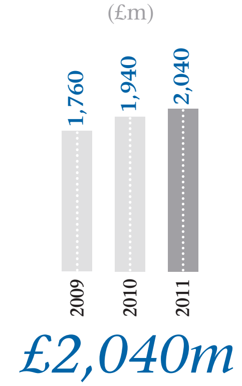
Whilst many jurisdictions continue to favour prohibition (enforced or unenforced), a growing number of nations appear to be adopting regulation as a superior means of protecting consumers and realising economic benefit for the state.

Great Britain

Great Britain was the world's first major economy to acknowledge remote gambling explicitly as a legitimate sector of the regulated gaming industry. However, online gambling companies targeting UK citizens have not been required to be licensed by the Gambling Commission (so long as they are licensed within the European Union or a small number of 'white-listed' territories).

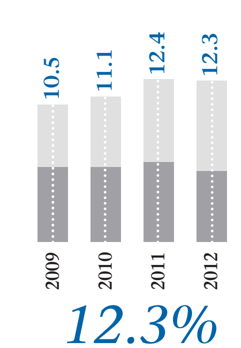
During the course of 2011/12, the government appeared to shift its position by announcing its intention to require those companies targeting UK citizens to gain remote gaming licences from the Gambling Commission. HM Treasury followed this by announcing its intention to apply remote gaming duty (at 15% of revenue) based upon the location of the customer rather than the operator. This regime is scheduled to take effect from December 2014.

Remote gambling – UK consumer expenditure (£m)



Source: Gambling Commission

Remote gambling participation growth rates (%)



According to Gambling Commission estimates, British consumers spent more than £2bn on remote gambling in the year to December 2011, representing an increase of £100m (5%) compared with the prior year. This growth in revenue has corresponded with a slowdown in the Gambling Commission's recorded rates of participation in remote gambling.

Spain

In June 2012, the General Directorate for Gambling Regulation issued Spain's first remote gambling licences, confirming the status of online gaming as part of Spain's regulated market. More than 270 licences were awarded to 53 companies.

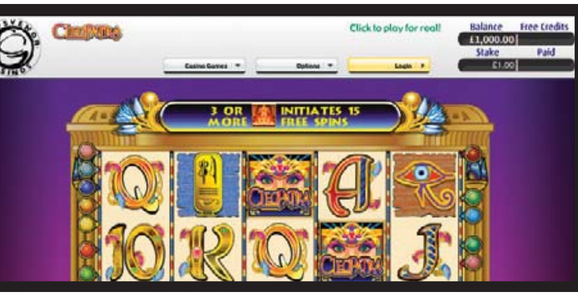
Sports betting, casino games, bingo and traditional Spanish card games were among the activities to be licensed. For the present, real money slots-style games remain outside the scope of legislation.

It is estimated that Spanish consumers spent approximately €300m on remote gambling in the second half of 2011. Games operated by state-sponsored lotteries SELAE and ONCE generated more than 50% of this total. The private (and previously unregulated) market generated an estimated €115m, predominantly from sports betting and fixed-odds games such as roulette.

Belgium

The Belgian Commission des Jeux issued the country's first remote gaming licences in February 2012. Current regulations restrict these licences to holders of land-based gaming licences.

In 2009, the Commission des Jeux estimated that Belgian consumers spent €229m on internet gambling.



RANK INTERACTIVE

Rank Interactive, which is responsible for delivering Mecca, Grosvenor, Blue Square and enracha branded products online (including mobile devices), has delivered another strong performance this year with total revenue up 20.8% to £77.7m.

We continue to focus on driving the scale of our online presence so that it properly reflects the popularity of our brands. We will continue to build market share in this business by increasing our marketing investment, which is up 26.2% compared to 2010/11.

Key performance indicators

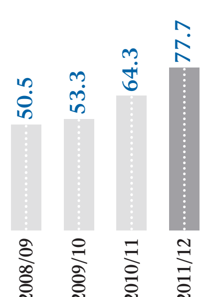
	2011/12	2010/11	Change
Customers* (000s)	326	287	13.6%
Customer visits (000s)	6,285	5,290	18.8%
Spend per visit (£)	12.36	12.16	1.6%
Net promoter score	17.1%	17.6%	(0.5)%
Crossover	3.4%	3.1%	0.3%
Average revenue per user (£)	238.34	224.04	6.4%

* Customers shown on a moving annual total ('MAT') basis.

Rank's brands continue to attract more customers (13.6%) and more customer visits (18.8%) via the online distribution channel. Sustained efforts to improve the quality of our brands' websites and increase the number of games available online and on mobile applications has meant that the spend per visit has also increased, by 1.6%.

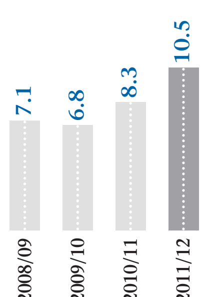
Meccabingo.com has continued to perform strongly in the period driving much of the 24.1% increase in bingo and games revenue. Sports betting revenue decreased 6.7% because of a drop in stakes. Grosvenorcasinos.com's casino products benefitted from support from more consistent promotion in Grosvenor's venues and led to an increase in revenue of 49.1% to £5.7m. Poker income has fallen 26.7% because of increasing competition in this segment of the market.

Revenue*
(£m)



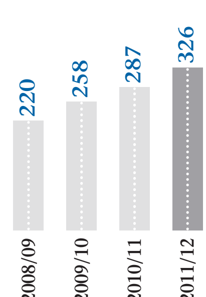
£77.7m

Operating profit**
(£m)



£10.5m

Customers
(000s)



326,000

* Before adjustment for free bets, promotions and customer bonuses.
** Before exceptional items.

Performance

	2011/12	2010/11	Change
Revenue* (£m)	**77.7**	64.3	20.8%
EBITDA** (£m)	**15.4**	12.3	25.2%
Operating profit** (£m)	**10.5**	8.3	26.5%
*Operating margin***	***13.5%***	*12.9%*	*0.6%*

Revenue* analysis

£m	2011/12	2010/11	Change
Bingo & games	**59.7**	48.1	24.1%
Sports betting	**8.4**	9.0	(6.7)%
Casino	**8.5**	5.7	49.1%
Poker	**1.1**	1.5	(26.7)%
Total	**77.7**	64.3	20.8%

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

> *Meccabingo.com's sustained success has provided a template for grosvenorcasinos.com. We have not yet realised the potential of the Grosvenor brand online.*

Mark A Jones
Rank Interactive

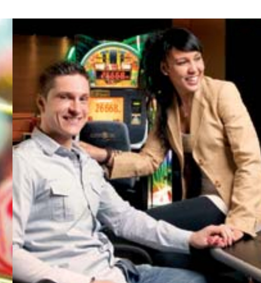
Top Rank España

TOP RANK ESPAÑA

“*The launch of the enracha brand is an exciting development, bringing together the modernisation of our venues and a new opportunity online.*”

Jorge Ibáñez
Top Rank España

enracha



TOP RANK ESPAÑA

INDUSTRY OVERVIEW

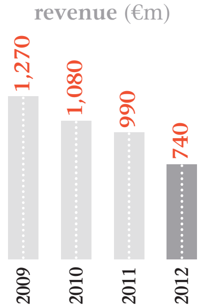
Bingo clubs have a long and popular tradition in Spain but in recent years their position has been undermined by economic problems, legislative changes (namely, smoking bans) and a rise in competition in leisure and gaming.

During 2011, revenue from Spanish bingo clubs contracted by 25% to €740m – or a little over 50% of the €1.4bn posted in 2006. The number of clubs operating has also been in steady decline. 11 closures in 2011 reduced the number of bingo clubs operating in Spain to 388 by the end of the year.

Despite these difficulties, there have been a number of positive developments in the areas of taxation and regulation as regional governments have responded to the situation.

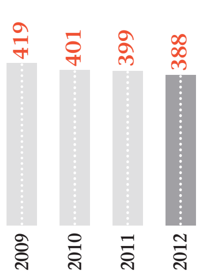
The range of activities that bingo clubs may offer has expanded significantly in recent years. In Madrid, for example (where Rank operates three venues), clubs may now offer customers sports betting, electronic casino games (roulette and poker) and video bingo terminals with linked jackpots of up to €60,000 as well as traditional slots games, bingo and food and drink.

Spain's bingo clubs revenue (€m)



€740m

Spain's bingo clubs (venues)



388 venues

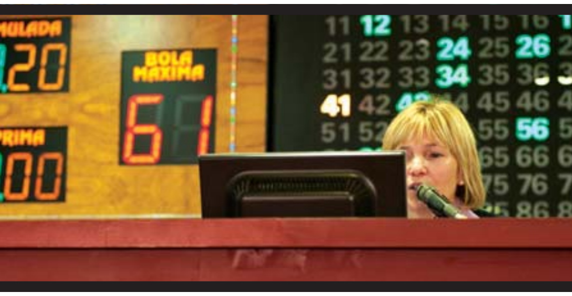
Source: Dirección General de Ordenación del Juego

Structure of sector

Ownership of bingo clubs in Spain is highly fragmented, with few large operators. Cirsa is Spain's largest bingo club operator, with 51 clubs across the country.

	Bingo clubs	
Company	December 2011	December 2010
Cirsa	51	51
Grupo Ballesteros	25	25
Top Rank España	11	11
Grupo Comar	6	6
Other companies	295	306
Total	388	399

Source: Rank Group Insights



TOP RANK ESPAÑA

Trading at Top Rank España was negatively affected by the introduction of the smoking ban in January 2011. This meant revenue was down 12.8% on 2010/2011. Despite several cost reduction initiatives, which meant costs fell £1.7m compared to 2010/11, Top Rank España's operating profit was reduced by 65.0% to £1.4m.

Key performance indicators

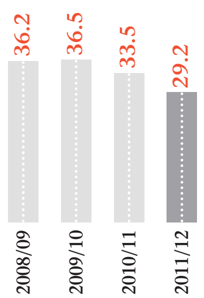
	2011/12	2010/11	Change
Customers* (000s)	305	319	(4.4)%
Customer visits (000s)	2,049	2,207	(7.2)%
Spend per visit (£)	14.25	15.18	(6.1)%
Net promoter score	75.8%	49.0%	26.8%

* Customers shown on a moving annual total ('MAT') basis.

Customer satisfaction, measured by net promoter score, has responded positively to the investment in refreshed menus, upgraded amusement machines and the provision of facilities for smokers, up 26.8% on last year's score.

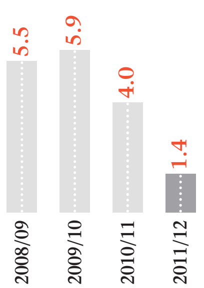
Bingo and food and drink revenue declined in the 12-month period ended 30 June 2012 compared to last year because of a fall in customer visits and dwell time. Liberalisation of the amusement machine legislation means that we were able to improve the quality of the amusement machines deployed throughout our Spanish clubs. As a consequence amusement machine income is in line with 2010/11.

Revenue
(£m)



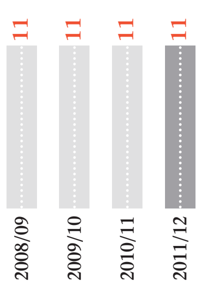
£29.2m

Operating profit*
(£m)



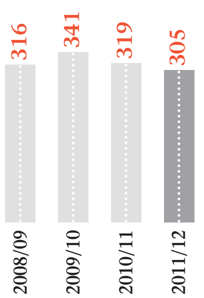
£1.4m

Clubs operating
(venues)



11 venues

Customers
(000s)



305,000

* Before exceptional items.

Performance

	2011/12	2010/11	Change
Revenue (£m)	29.2	33.5	(12.8)%
Revenue (€m)	34.5	38.9	(11.3)%
EBITDA* (£m)	3.8	6.6	(42.4)%
Operating profit* (£m)	1.4	4.0	(65.0)%
*Operating margin**	*4.8%*	*11.9%*	*(7.1)%*

* Before exceptional items.

Revenue analysis

£m	2011/12	2010/11	Change
Bingo	17.1	20.7	(17.4)%
Amusement machines	9.3	9.3	–
Food & drink/other	2.8	3.5	(20.0)%
Total	29.2	33.5	(12.8)%

STATUTORY PERIOD REPORTING

The table below shows the performance of Rank's business segments in the statutory periods.

	Revenue*		EBITDA**		Operating profit**	
£m	FY12	FY10	FY12	FY10	FY12	FY10
Grosvenor Casinos	379.2	238.6	84.6	46.0	63.0	36.0
Mecca Bingo	359.5	234.5	67.8	43.0	44.5	29.7
Rank Interactive	111.7	57.7	20.2	11.4	13.2	7.9
Top Rank España	44.1	37.0	5.3	9.5	1.6	6.8
Central costs			(25.7)	(17.6)	(27.3)	(18.4)
Group	894.5	567.8	152.2	92.3	95.0	62.0

* Before adjustments for free bets, promotions and customer bonuses.
** Before exceptional items.

A review of these periods may be found in the Finance Review, pages 46 to 51.

OPERATING RESPONSIBLY

Rank is committed to meeting its pledges to our people, our customers, our communities and our natural environment.

"*...sustainable growth can only be achieved through conscientious behaviour.*"

Ian Burke
Chairman and chief executive

At Rank we recognise that we have a duty of care to our people, our customers, our community and our natural environment. We understand that we must take these responsibilities seriously in order to achieve sustainable growth and long-term shareholder value as well as to remain a trusted part of society. Therefore our corporate responsibilty strategy focuses on the following four areas:

Our people – We offer fair, equal, safe, respectful and rewarding employment to all people who share our commitment to making customers feel valued.

Our customers – We will bring enjoyment to our customers through leisure experiences that are fun, sociable and safe.

Our community – We will make a positive difference to the lives of people in the locations where we operate through local engagement, community involvement and economic contributions.

Our natural environment – We will reduce the impact of our operations on the natural environment by instilling in our people, our suppliers and our customers an awareness of the environmental impact of their behaviour.

Our approach

The chief executive sets direction in relation to corporate responsibility issues and progress against our pledges is reported on by the chief executive's direct reports.

We have a number of stakeholders that we actively engage with, listening and responding to opinions and concerns that are identified. Our stakeholders include our customers, employees, shareholders, local communities, government and regulators, Non-Governmental Organisations (NGOs) and media. In turn, we have the responsibility, and take it upon ourselves, to raise awareness of matters affecting the business. One example of this is tax legislation, where we maintain an active and open programme of engagement with regulators, governments and other interested parties in order to promote fairness, responsibility and sustainability (see Tax Fact File pages 52 to 55).

Our people

"Our people are the key to providing customers fun, entertaining experiences."

Sue Waldock
Human resources director

Why this is important

The strength of our brands depends on the quality of the team members who represent them. Our ability to entertain and delight our customers depends upon our people and their motivation to achieve.

The recruitment and remuneration of employees along with our continued investment in their development is the largest area of expenditure within the Group, representing 38% of our total cost base over the last 12 months. By raising engagement levels across our teams we aim to get best value through the reduction of employee turnover and increased productivity.

Priorities and progress

Through insight gained from research (discussed in detail on page 42) our people have told us that Rank is an organisation "where everyone counts" and this has become the central theme of our people strategy.

Our engagement with employees is based upon this insight, with the following identified as what they want in the workplace:

- to be given the opportunity to succeed;
- to be valued as individuals; and
- to be safe at work.

Our progress in each of these three areas is discussed in the following pages.

The opportunity to succeed

Our people see their own development as a critical aspect of what makes work fun and engaging. Our ability to help people achieve their potential through training, development and access to new opportunities is a major source of competitive advantage.

We support our people through a range of development activities. As an Institute of Leadership and Management (ILM) approved centre we are able to provide our employees with accredited qualifications through internally delivered programmes. Our mentoring programme has been awarded the highest accolade, the Gold Standard, by the International Standard of Mentoring Programmes in Employment (ISMPE). The assessment team was particularly impressed with the level of support provided by our executive committee.

Successful people development programmes piloted in individual brands are now being rolled out across the Group and new ones designed and implemented. They build upon best practice from all parts of the organisation to provide opportunities for collaborative working.

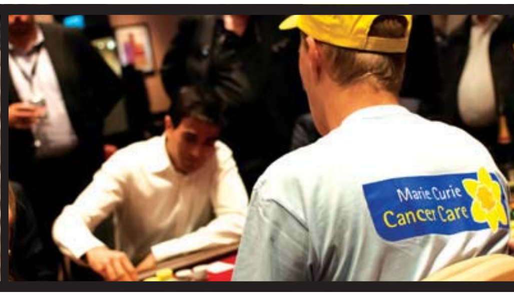
We continue to work with a range of prestigious academic institutions to deliver some of these programmes, such as:

Cranfield University – over the last 12 months we were pleased to extend the Rank Leadership Programme to a further 25 leaders across the Group.

Institute for Work-Based Learning, Middlesex University – following the success of our first Masters programme launched last year, further participants have enrolled on the course for 2012/13.

Birmingham City Business School – following on from a very successful first cohort, in which some leaders are continuing their professional development by undertaking an MSc, we are about to begin a second programme.

Henley Business School, University of Reading – our continued association with Henley is providing our executives with the opportunity to gain insight into other leading organisations and build their own capabilities.



We are proud of the progress our people make as they realise their goals. The last 18 months have seen several of our people receive recognition for their achievements from industry bodies. At this year's 'Women in Gaming Awards', Mecca employee Janette McCracken won leader of the year (land-based) and Grosvenor Casinos' Fiona Regan accepted the team of the year award on behalf of Grosvenor Casinos' HR team. Rank's finance team received the Building Public Trust Award for tax reporting in the FTSE 250 in 2011, the second time the team has received this award. Rank's tax team received the International Tax Review's award for indirect tax in-house team of the year in 2012.

Being valued as individuals

Over the past 12 months Rank has accelerated its programme of engagement to learn even more about our employees and understand why they work for us, what they value and how we can improve their working lives.

Insights

During the year, we developed an employee segmentation model, based on extensive research. This allow us to tailor our employment proposition to meet the diverse needs of our existing and prospective employees.

A culture where everyone counts is essential to the development of an effective customer service ethic and in conjunction with Empathica, a leading customer insight research organisation, we have implemented a 'Colleagues as Customers' programme. This provides feedback from colleagues within the business enabling us to improve the level of internal service we offer. We believe that this will allow our people to meet the needs of our customers more effectively.

Attracting talent

To meet the individual career aspirations of our people, and prospective employees, we are developing an online recruitment, induction and on-boarding system. This ensures our new employees have a consistent recruitment and induction experience from the time they view our job advertisement through to the completion of their induction programme.

For more information on our new recruitment portals please follow the links:
meccabingocareers.com;
grosvenorcasinoscareers.com;
rankinteractivecareers.com; and
rankcareers.com.

Equal opportunities

Our people with disabilities are afforded equal rights across the Group specifically through the equal opportunities and employment of disabled persons policies. Guidance and support are given to ensure that we create and promote an inclusive environment for current and future employees with disabilities.

This year we have built our commitment to supporting our employees with disabilities and have joined the Employers' Forum on Disability where our leadership teams have access to leading resources that outline practices to help facilitate the integration of disabled employees into the workplace.

Our recruitment, development and assessment processes enable job candidates with disabilities to advise us of their requirements in advance. This means we are able to ensure that, where possible, we can make reasonable adjustments for their individual needs which allows them to perform to the best of their ability.

Should an employee become disabled we actively engage with the individual to make any reasonable adjustments required to continue their employment.

Those new to the employment market or those returning to it are given support to help them prepare for interview and demonstrate their individual skills and experience.

Safety at work

We believe that our employees have the right to feel safe and protected at work.

Our commitment to this aim is demonstrated by the level of scrutiny applied to this area. Rank's chief executive takes responsibility for the Group's health and safety policies and performance and each of our managing directors accepts the same responsibility for their businesses. The board is informed of health and safety issues on a regular basis and we engage with the broader workforce on these matters.

Our performance

We have maintained our positive employee engagement results which are measured through rolling quarterly surveys.

Employee turnover within our businesses has continued to trend at historically low levels.



Our customers

"Rank's Stay in Control website gives our customers the information they need to enjoy gambling safely."

Richard Wade
Director of responsible gambling

Why this is important
Our ability to entertain our customers in a safe and responsible fashion is the cornerstone of our business model, affecting both the popularity of our brands and (in extreme circumstances) our licence to operate.

Priorities and progress
We made considerable progress in delivering thrills and entertainment to more than 2.6 million customers, achieving a further improvement in our net promoter score. However, we recognise that a small minority of people may be vulnerable to problem behaviours.

We understand that in meeting the entertainment needs of the majority we must nevertheless protect and assist that small minority of people that might be prone to gambling-related difficulties. We have established a responsible gaming policy to express our position which is shown in the table below.

Our commitment to this policy is demonstrated by the high level of scrutiny that we apply to responsible gaming, with bi-annual reviews by the Group main board and audit committee and quarterly reviews by our responsible gambling committee.

Whilst we continue to strive for improvement, we are proud of our record in this area, which is built on a commitment to the welfare of our customers and a clear cross-Group policy for responsible gaming.

Our venues are considered to be amongst the safest environments for gaming to take place and we have continued to invest significant resources in this area over the last 18 months, including:

– a £423,000 contribution to The Responsible Gambling Trust to fund counselling for problem gamblers and research into treatment;

– promotion of GamCare's helpline and netline in our venues and interactive channels;

Our responsible gaming policy

Objectives	Progress
Clear customer communication to promote responsible play and to provide advice for those concerned about problem gaming	– Rank's Stay In Control communication programme, which provides customers with written material provided in our venues and a dedicated website www.stayincontrol.rank.com, has been improved to provide further information to our customers.
Establish and maintain processes to identify and prevent problem gambling	– Employee training to identify at-risk customers and intervening to provide support. More than 94% of Rank's 6,576 customer-facing employees in Great Britain have qualified from this training module. – We have established a requirement for customer-facing employees to undergo a responsible gaming assessment two years after qualifying from training. – Online sites operate mechanisms designed to identify the early signs of problem gambling and direct at-risk customers to appropriate support.
We work hard to prevent any underage gambling in our venues or online	– Proof of age requirements in our venues (and age verification procedures online) to prevent under-age gambling (we require customers to be 18 years or older to enter our bingo clubs and casinos in Britain and Spain; in Belgium the minimum age is 21 years).

- promotion of the Gambling Commission's gambleaware.co.uk website on all Rank Interactive channels and within venues; and
- promotion of Rank's dedicated online portal www.stayincontrol.rank.com to promote responsible gaming.

Performance

GamCare accreditation achieved for Grosvenor Casinos and Blue Square (since 2007) and Mecca Bingo (since 2008);

117 of the customers who decided to exclude themselves from our venues breached this exclusion in 2011 – 1% of the total number of self-exclusion breaches across the betting and gaming industry in Great Britain; and

21 reported incidents of underage gambling within Rank's club venues in Great Britain – 0.03% of the national total.

Our communities

"The Rank Group partnership has gone from strength to strength over the last two and a half years and we are proud to be partnered with an organisation that is so committed to making a difference to our cause."

Fabian French, director of fundraising for Marie Curie Cancer Care

Marie Curie Cancer Care

Why this is important

Earning the trust of our customers, team members, suppliers, councillors and neighbours is critical to our success. We target investment at both a national and local level – through our support for a flagship charity with nationwide coverage that directs support to where it is needed locally.

Our priorities and our progress

Marie Curie Cancer Care has been Rank's nominated charity for the last three years. By the end of 2012, we aim to have raised more than £1 million by supporting the charity's signature fundraising events, the Great Daffodil Appeal and Blooming Great Tea Parties; and by organising our own fundraisers. Over the course of the last 18 months, Grosvenor Casinos arranged a series of 'extreme poker' events, with team members playing poker in a range of unusual locations – from a shark pool to the bottom of a mine shaft. Mecca's efforts on behalf of Marie Curie Cancer Care included a group skydive. Mecca also took part in the UK Corporate Challenge to raise money for the Dame Kelly Holmes Legacy Trust.

Our performance

Over the last 18 months:

- more than £525,000 has been raised for Marie Curie Cancer which has funded respite care for cancer patients in our communities;
- we have provided employment for more than 9,200 people across Great Britain, Spain and Belgium;
- we have increased the number of employees in our team by 400 since the end of 2010;
- we have invested more than £70 million in capital projects; and
- we have directly generated £265.3m in taxes.

Our natural environment

Why this is important

Many of our people and our customers care deeply about the natural environment. Because it is important to them, it is important to us. We actively encourage our people and our customers to make sure Rank's impact on the environment is reduced. Such programmes also make good business sense as they reduce the waste Rank produces and the amount of energy the business consumes.

Our priorities and our progress

Over the last 18 months our focus has been on evaluating the extent of our carbon emissions and identifying actions that will reduce those emissions. We have set ourselves a target to reduce our carbon emissions by 12,000 tonnes by the end of 2012. We will report back on this in our 2013 Annual Report and via our corporate website.

Each of our venues has an individual with responsibility for promoting the implementation of our environmental programme. These energy champions were supported by a dedicated website (www.rankpositivechange.com) and the establishment of a quarterly reward scheme recognising excellence in environmental initiatives. This has become increasingly competitive as a growing number of teams submit case histories documenting their projects.

Our support office in Maidenhead has also been involved with the organisation of the Group's first environmental day, Go Green day, in June 2012. Our teams were encouraged to focus on ways to reduce carbon and waste across the estate. To celebrate the success of this day, we planted 100 trees to recognise the best 100 ideas generated. Our venues celebrated Go Green day with a range of initiatives including getting to work without cars, paperless days and special collections of recyclable items.

We are also working with our suppliers to reduce our impact on the environment. This year we have worked with waste management business Biffa to increase the amount of waste which Rank recycles. This reduces the amount of waste Rank adds to landfill.

Over the next 12 months we will be looking at more ways to reduce our carbon emissions, including the roll out of more efficient means of lighting our premises. We are also considering the viability of introducing solar power and water consumption management systems.

Performance

All of our UK sites have achieved the Carbon Trust Standard which is awarded to those business and public-sector organisations which have a proven record of recording, managing and reducing the carbon consumption of their estate.

In 2011 Rank reduced its carbon emissions by 12.3%. This meant that Rank's Carbon Reduction Commitment fee fell by £0.1m.

The percentage of the total waste recycled by Rank rose by 24.8% over the course of the last 12 months.

Further information:

www.rank.com/responsibility/index.jsp

FINANCE REVIEW

Strong growth, a platform for the future.

"A strong trading performance in tough economic conditions means we are able to increase our dividend by more than a third; over double the rate of growth in earnings."

Clive Jennings
Finance director
16 August 2012

Accounting reference date change

The Group changed its accounting reference date from 31 December to 30 June on 21 October 2011. This brings the Group's financial year end in line with its majority shareholder, Guoco Group Limited.

The financial information therefore covers the 18-month period ending 30 June 2012. Thereafter, interim and annual reports will be published each year, for the six months to 31 December and 12 months to 30 June.

Key results

Group revenue in the 18 months ended 30 June 2012 was £894.5m compared to £567.8m in the 12 months ended 31 December 2010. Group operating profit before exceptional items was £95.0m compared to £62.0m in the 12 months ended 31 December 2010.

On the new 12-month accounting calendar of 1 July to 30 June, Group revenue for the 12 months to 30 June 2012 from continuing operations rose by

Key results (from continuing operations)

	18 months to 30 June 2012	12 months to 31 Dec 2010	12 months to 30 June 2012 (unaudited)	12 months to 30 June 2011 (unaudited)
Group revenue	£894.5m	£567.8m	£600.5m	£580.7m
Group statutory revenue[1]	£854.9m	£544.5m	£572.9m	£556.9m
Operating profit:				
– before exceptional items	£95.0m	£62.0m	£65.5m	£62.9m
– after exceptional items	£143.1m	£75.4m	£45.6m	£106.8m
Adjusted net interest payable (note 5)	£(7.2)m	£(6.8)m	£(4.0)m	£(6.5)m
Adjusted profit before taxation[2]	£87.8m	£55.2m	£61.5m	£56.4m
Profit before taxation:				
– before exceptional items	£87.0m	£54.5m	£60.6m	£56.6m
– after exceptional items	£216.1m	£73.5m	£40.8m	£181.4m
Profit after taxation:				
– before exceptional items	£61.5m	£38.2m	£44.1m	£38.1m
– after exceptional items	£164.1m	£48.9m	£28.3m	£136.1m
Basic earnings per share:				
– before exceptional items	15.8p	9.8p	11.3p	9.8p
– after exceptional items	43.0p	13.7p	7.2p	36.5p
Adjusted earnings per share (note 9)	16.2p	10.2p	11.6p	10.2p
Dividend per share	4.60p	2.40p	3.60p	2.66p
Group EBITDA before exceptional items[3]	£152.2m	£92.3m	£104.4m	£97.0m
Net cash (debt)	£41.8m	£(123.4)m	£41.8m	£37.2m
Net (cash) debt to EBITDA ratio[4]	(0.4)	1.3	(0.4)	(0.4)
Weighted average number of ordinary shares in issue (basic)	390.3m	389.5m	390.6m	389.6m

1 Statutory revenue is stated after adjustment for free bets, promotions and customer bonuses.
2 Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of discount in disposal provisions and other financial gains or losses.
3 Group operating profit before depreciation and amortisation.
4 Rolling 12 month EBITDA.

3.4% to £600.5m, whilst Group operating profit before exceptional items of £65.5m was £2.6m higher than the 12 months to 30 June 2011. References here, and below, to the 12-month periods ended 30 June are unaudited.

The growth in Group revenue and Group operating profit before exceptional items in both periods reflected strong performance from our UK businesses. This was partly negated by the introduction of smoking bans and difficult economic conditions in Spain and Belgium.

Adjusted net interest payable for the 12 months to 30 June 2012 fell by 38.5%, reflecting the Group's net cash position following the receipt of VAT refunds in March 2011.

Adjusted Group profit before taxation for the 12 months to 30 June 2012 increased by £5.1m to £61.5m, reflecting the combination of operating profit growth and lower net interest payable.

A detailed review of the results for the 12 months to 30 June 2012 on a divisional basis is included in the operating review on pages 22 to 39.

The Group's effective tax rate for the 12 months to 30 June 2012 was 26.3% (12 months to 30 June 2011: 29.4%). Further details of the effective tax rate and details of the cash tax rate are provided in the tax fact file on pages 52 and 53.

The increase in adjusted pre-tax profits contributed to growth in adjusted earnings per share in the 12-month period to 30 June from 10.2p to 11.6p. The weighted average number of ordinary shares was marginally up from the previous 12-month period.

Dividends

The Group is committed to a policy of paying out a progressively higher ratio of earnings in dividends, taking into consideration both the Group's capital investment requirements and the stability of the wider economic environment. A final dividend of 1.66 pence per share for 2010 was paid on 4 May 2011.

For the 18-month period ended 30 June 2012 a first interim dividend of 1.00 pence per share was paid on 12 September 2011 and a second interim dividend of 1.10 pence per share was paid on 29 March 2012. A final dividend for the 18-month period ended 30 June 2012 of 2.50 pence per share has been recommended to be paid on 31 October 2012 to shareholders on the register at 31 August 2012.

Exceptional items

In order to give a full understanding of the Group's financial performance and aid comparability between periods, the Group reports certain items as exceptional to normal trading.

The key exceptional items for the 18-month period ended 30 June 2012 are detailed below by business.

Grosvenor Casinos incurred an exceptional cost of £2.3m following the decision to close the Connoisseur casino in London, a casino in Manchester and the Liverpool E-casino. In addition, Grosvenor Casinos recognised a net impairment charge of £0.8m, which included the impairment of the Liverpool E-casino. A release of £0.6m from the provision for onerous leases was also made following the favourable settlement of a number of lease obligations arising from previously closed clubs.

The Group received £81.9m from HMRC in refunds of overpaid VAT on main stage and interval bingo revenue. After costs, this resulted in an exceptional profit of £79.5m in Mecca Bingo. The Group also received £80.9m of interest in respect of the refunds. In addition, Mecca Bingo recognised an increase in onerous lease provisions of £6.6m, net impairment reversals of £1.7m and a £0.7m exceptional cost associated with the closure of six clubs in Norwich, Southampton, Edinburgh, Wallsend, Great Yarmouth and Sheffield. The increase in onerous lease provisions of £6.6m includes a £3.1m charge resulting from a reduction in the risk-free rate used to discount existing onerous lease provisions, a £1.0m charge for residual lease obligations following the club closures outlined above and the balance in respect of reductions in expected income.

Rank Interactive's investment in the development of its online Spanish gaming brand enracha has been fully impaired by £1.8m as legislation has not developed as anticipated.

Top Rank España incurred £1.2m in redundancy costs following the continued restructuring of operations. Also, following the introduction of a complete smoking ban at the start of 2011 and the continued difficult economic conditions in Spain, an impairment charge of £14.7m has been recognised. It is possible that further impairment charges may be required if the future performance of individual bingo clubs is not in line with expectations.

The net exceptional charge in central costs of £5.6m comprises £4.3m relating to professional fees and other related costs for the response to the Guoco Group Limited offer for the Group, £5.0m on the costs incurred by 30 June 2012 in respect of the proposed acquisition of Gala Casinos and a £1.7m charge arising from the reduction in the risk-free rate used to discount onerous lease provisions. These are offset by a £5.4m exceptional credit following the refund of VAT previously paid on the disposal of the Group's defined benefit scheme in 2008. The Group also received £0.1m of interest in respect of the refund.

Exceptional items

	18 months to 30 June 2012 £m	12 months to 31 Dec 2010 £m	12 months to 30 June 2012 (unaudited) £m	12 months to 30 June 2011 (unaudited) £m
Grosvenor Casinos	(2.5)	(3.6)	(1.0)	(9.1)
Mecca Bingo	73.9	31.0	(5.0)	75.2
Rank Interactive	(1.8)	–	(1.8)	–
Top Rank España	(15.9)	(1.4)	(10.8)	(5.3)
Central	(5.6)	(12.6)	(1.3)	(16.9)
Continuing operations before financing and taxation	48.1	13.4	(19.9)	43.9
Finance income	81.0	5.6	0.1	80.9
Taxation	(26.5)	(8.3)	4.0	(26.8)
Exceptional items relating to continuing operations	102.6	10.7	(15.8)	98.0
Discontinued operations	3.4	4.3	(0.2)	6.1
Total exceptional items	106.0	15.0	(16.0)	104.1

Cash flow

	18 months to 30 June 2012 £m	12 months to 31 Dec 2010 £m	12 months to 30 June 2012 (unaudited) £m	12 months to 30 June 2011 (unaudited) £m
Continuing operations				
Cash inflow from operations	153.3	93.1	108.5	97.5
Capital expenditure	(71.5)	(50.2)	(49.6)	(45.0)
Fixed asset disposals	0.8	0.1	0.2	0.7
Operating cash inflow	82.6	43.0	59.1	53.2
Net acquisitions and disposals	(0.2)	0.8	(0.1)	0.8
Net cash receipts in respect of provisions and exceptional items	64.9	26.4	(12.8)	66.7
	147.3	70.2	46.2	120.7
Net interest and tax receipts (payments)	44.9	0.7	(35.6)	77.2
Dividends paid	(14.7)	(8.1)	(8.2)	(9.3)
Purchase of own shares	(3.4)	–	–	(3.4)
New finance leases	(9.2)	(1.4)	(0.7)	(9.9)
Other (including foreign exchange translation)	0.3	2.0	2.9	(4.7)
Net movement	165.2	63.4	4.6	170.6
Opening net (debt) cash	(123.4)	(186.8)	37.2	(133.4)
Closing net cash (debt)	41.8	(123.4)	41.8	37.2

The net exceptional profit from discontinued businesses of £3.4m includes the receipt of VAT (net of costs) and associated interest following successful Conde Nast/Fleming claims relating to businesses no longer owned by the Group.

Further details of exceptional items, including prior-period exceptional items, are provided in note 4 to the accounts.

Cash flow and net cash (debt)

At the end of June 2012, net cash was £41.8m compared with net debt of £123.4m at the end of December 2010. The net cash comprised cash at bank and in hand of £72.5m offset by £9.1m in fixed rate Yankee bonds, £18.7m in finance leases and £2.9m in bank overdrafts.

A cash flow analysis for the period is provided in the table above.

Financial structure and liquidity

In January 2012, the Group signed new five-year facilities with its relationship banks totalling £80.0m which will mature in 2017. These replaced the £200.0m revolving credit facility which had been due to mature in April 2012. The new facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation ('EBITDA') to net interest payable and a maximum ratio of net debt to EBITDA, both of which are tested bi-annually at June and December. The Group has always fully complied with its banking covenants.

The Group repaid its previous £100.0m term loan facility in two instalments, repaying £65.0m in April 2011 and the final £35.0m in May 2011. The remaining drawings on the previous multi-currency revolving credit facility were repaid in January 2012. Following repayment of the previous financing, the Group currently has no drawings on its new facilities and continues to maintain a net cash position.

The Group announced on 12 May 2012 that it had conditionally agreed to acquire Gala Casinos from Gala Coral Group Limited for a total cash consideration of £205.0m. The Group intends to finance the acquisition, along with its related costs and expenses with new three-year bank facilities totalling £175.0m together with existing bank facilities.

The Group treasury function sets counterparty limits for the lending banks with which it trades and regularly monitors their credit ratings to minimise risk of financial loss.

Capital expenditure

	18 months to 30 June 2012 £m	12 months to 31 Dec 2010 £m	12 months to 30 June 2012 (unaudited) £m	12 months to 30 June 2011 (unaudited) £m
Cash:				
Grosvenor Casinos	35.4	19.4	26.8	14.5
Mecca Bingo	19.3	21.2	12.0	19.0
Rank Interactive	9.7	6.2	7.9	6.9
Top Rank España	5.1	1.9	1.4	3.3
Central	2.0	1.5	1.5	1.3
Total	71.5	50.2	49.6	45.0
Finance leases:				
Grosvenor Casinos	8.2	–	–	8.2
Mecca Bingo	1.0	1.4	0.7	1.7
Total	9.2	1.4	0.7	9.9
Total capital expenditure	80.7	51.6	50.3	54.9

Capital expenditure

During the 18-month period to 30 June 2012, the Group's capital expenditure totalled £71.5m (before expenditure relating to finance leases). Of this, 77% was invested in extending the reach and broadening the appeal of Rank's two largest businesses, Grosvenor Casinos and Mecca Bingo.

Grosvenor Casinos spent £17.0m on the development of the G Casino format at new sites, including the three new G Casinos opened during the period at Stockton-on-Tees, Didsbury (South Manchester) and New Brighton. A further £4.5m was invested in converting existing casinos at Cardiff, Plymouth and Walsall to the G Casino format. In addition, £3.7m was spent on refurbishment of other casinos and £0.5m on the opening of "Games at the Vic", a new slots venue at the Victoria casino in London. The balance of the expenditure included £3.4m on gaming equipment, £1.4m on development of the Play Points loyalty programme, £0.5m on energy saving initiatives and the balance on other minor capital works.

Capital expenditure for Mecca Bingo comprised £6.2m on club refurbishments, including £0.6m on the conversion of the club at Wood Green to the Full House Destination concept. A further £3.6m was spent on new mobile gaming terminals, £1.3m on improving our food and drink offer, £1.2m on energy saving initiatives, £1.1m on mechanised cash bingo, £0.8m on smoking shelters and the balance on other capital works.

Rank Interactive spent £6.4m on UK website development, including tablet and social gaming development. A further £1.9m was spent on computer equipment, £0.9m on international development and the balance on other minor capital items.

Top Rank España spent £2.3m on the re-development of the Macoes club in Madrid, £1.3m on other refurbishment works including expenditure in response to the introduction of the smoking ban and the balance on other capital works.

In addition to the amounts outlined above the Group entered into £9.2m of new finance leases, in respect of amusement machines.

Capital commitments at 30 June 2012 were £1.5m.

It is anticipated that capital investment in the next financial year will be approximately £55m, following the continued success of our investments in G Casinos. Expenditure will remain phased and dependent on operating performance, which will allow quick reductions in the overall level of capital expenditure should business conditions deteriorate. The commitments to the new G Casinos at Southend-on-Sea and Reading along with the conversion of Portsmouth to the G Casino format are not affected by this policy.

Financial risk

The Group's financial risk management strategy focuses on the minimisation of risks for the Group. The Group's funding, foreign exchange, liquidity, counterparty and interest rate risks are managed by the Group's treasury department in accordance with approved policies and are subject to internal audit review. All significant financing transactions and treasury policies are authorised by the board of directors. Implementation of these policies is closely managed by the finance director and the Group's treasury manager. The treasury function is not run as a profit centre.

The key financial risks impacting the Group are liquidity risk, foreign exchange risk, interest rate risk and credit risk. Further details are outlined below:

i) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Quarterly cash flow forecasts are prepared which identify the requirements of the Group and these are regularly updated to ensure sufficient financial headroom exists for at least 12 months. This is coupled with a regular review of medium-term funding requirements which, in particular, are updated alongside the Group's strategic plan process. The Group negotiated new finance facilities in January 2012 which mitigate the liquidity risk it may face. Further details are provided in the financial structure and liquidity section on page 49.

ii) Foreign exchange risk

The Group is also exposed to movements in foreign currency exchange rates in respect of the translation of net assets and income statements of overseas subsidiaries. Following the repayment of the remaining drawings on the previous multi-currency revolving credit facility in January 2012, the Group does not hedge the translation effect of exchange rate movements on the net assets or income statement of overseas subsidiaries it regards as long-term investments.

iii) Interest rate risk

The Group primarily finances itself through bank facilities and the public debt market. The bank facilities are at floating interest rates. The Group also has US $14.3m of public bonds outstanding, which mature in 2018. Currently the Group has an insignificant exposure to changes in interest rates following the repayment of the multi-currency revolving credit facility in January 2012.

iv) Credit risk

Credit risk is the risk that a counterparty may not be able to settle amounts owing in full, when due. Surplus cash is invested in short-term financial instruments using a limited number of financial institutions with strong credit ratings. Counterparty credit ratings are reviewed regularly and credit limits set to avoid significant concentration of risk with any one counterparty.

Going concern

In adopting the going concern basis for preparing the financial information the directors have considered the issues impacting the Group during the period as detailed in the business review above and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly the adoption of the going concern basis remains appropriate.

TAX FACT FILE

We believe Rank has a responsibility to contribute to the communities and economies where we are established; this includes the payment of tax.

Taxation

Rank's businesses support communities throughout Britain, Spain, Belgium, Malta and in Alderney by providing employment opportunities and paying local and national taxes.

Over the last 18 months, the Group's businesses generated £265.3m (2010: £156.2m) for the UK Exchequer (excluding exceptional VAT claims detailed below) and local government in VAT, gaming taxes, income tax, National Insurance contributions and local business rates. This represents a 13.1% increase in our monthly tax contributions. The broader impact of Rank's operations, including taxes paid by supplier companies and the economic consequences of providing employment to more than 8,500 (2010: 8,100) people in the UK, is harder to quantify but no less significant.

Tax strategy

Rank aims to manage and plan its tax affairs in the UK and continental Europe with a view to reducing the cash tax payable in each jurisdiction and minimising the Group effective tax rate, while fully complying with relevant legislation.

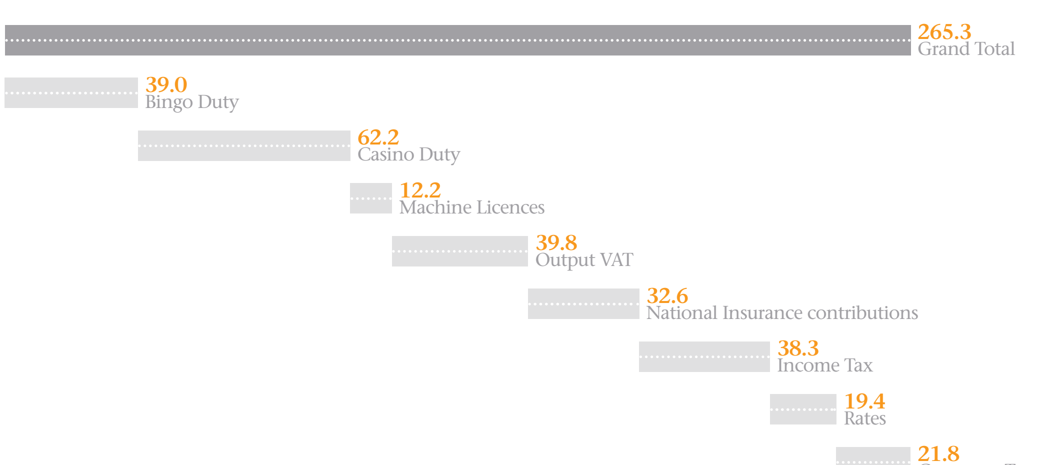
The Group tax strategy is regularly reviewed and approved by the board and supported by the use of appropriate advice from reputable professional firms. Where disputes arise over the interpretation and application of tax legislation, the Group is committed to proactive discussion with the relevant authorities as soon as possible and only resorts to litigation once all other avenues are exhausted. An open dialogue is maintained with HMRC involving regular meetings to review tax issues and brief them on business issues.

Over the course of the period, Rank has stepped up its efforts to conclude several outstanding issues with HMRC and overseas tax authorities. This escalation has already seen several longstanding issues resolved, with the result that Rank has received £6.2m of overpaid VAT from HMRC relating to the disposal of Rank's pension scheme. In concluding the remaining tax, duty and VAT issues Rank might be obliged to make cash payments to HMRC. However, Rank is satisfied that it has made adequate provision for any payments that might become due in relation to these, currently unresolved, tax issues.

Effective tax rate

The Group's effective corporation tax rate in 2011/12 was 26.3% (2010/11: 29.4%) based on a tax charge of £16.2m on adjusted profit before taxation and exceptionals of £61.5m. This is below the Group's anticipated effective tax rate because of a series of prior year adjustments and the reduction in the headline rate announced in Budget 2012. The effective corporation tax rate for 2012/13 is expected to remain around the current level. Further details of the taxation charge are provided in note 6.

UK tax contribution (£m)



Cash tax rate

In 2011/12 the Group had an effective cash tax rate of 7.8% on adjusted profit following the utilisation of brought forward losses and capital allowances. The Group is expected to have a cash tax rate of 20% to 22% in 2012/13, excluding any tax payable on the resolution of a number of legacy issues.

Gaming tax reform

Rank's position

Since 2010 Rank has urged the Government to create a single system of taxation at a single rate on the grounds that this proposal delivers on three key policy objectives.

Fairness – by removing arbitrary distinctions in the taxation of the same gaming products and thus ending state aid for online gaming operators;

Responsibility – by creating a tax regime which allows adults to gamble in safe, licensed premises without penalising the operators of such premises; and

Sustainability – by encouraging all operators to make a fair contribution to the UK economy and by stimulating job creation in the UK, through increased investment.

More details of Rank's position are detailed in our paper 'Responsible Taxation: Fairness, Responsibility and Sustainability' which is available at www.rank.com.

In December 2011, Rank set out the detail of our case to HM Treasury and DCMS and we continue to debate the merits of our proposal with Government. Most recently, Rank has supplemented its case for a single rate of taxation by drawing the Government's attention to European rules on state aid. There is a growing body of case law concerning the interpretation of Europe's state aid rules which show that EU Member States must harmonise tax rates across competing products to prevent any potential distortion of competition. We understand that any changes to the betting and gaming tax regime must respect these rules.

It is Rank's belief that, based on the advice of leading counsel, the current regime (including the proposals the UK Government has announced for online operators) fall foul of these rules as they do not go far enough to deliver a level playing field.

Gaming tax reform: update

United Kingdom

In Budget 2012, the UK Government released more details of two important changes to the taxation of betting and gaming products offered to UK consumers. Amusement machine income will be subject to VAT and AMLD (a fixed fee charged on each gaming machine offered to consumers) until 1 February 2013. From 1 February 2013, the current system will be replaced by Machine Games Duty ('MGD'). Two rates of MGD will be charged on amusement machine income, 20% (for machines with a stake of more than 10p or a prize over £8) or 5% (for low stake and prize machines) of each machine's gross profits. An exemption from MGD is available for a small number of Mecca machines.

The second change affects online gaming operators, including Rank Interactive. At present, betting and gaming taxes are only due from operators located in the UK. Budget 2012 announced a change in the basis of the UK's tax system so that, from 1 December 2014, tax becomes due on any gambling revenue generated from consumers in the UK. It has been suggested that the current rate of remote gaming duty (at 15% of gross profits) will be applied across all online gaming operators' income.

Rank's submission to HM Treasury and the responses to the consultations referred to above are available from www.rank.com.

> *"Constant tinkering has made the tax system increasingly complicated, discouraging investment."*
>
> **Rt. Hon. George Osborne MP**
> Chancellor of the Exchequer

Spain

In 2011, the Spanish government invited online operators to apply for a variety of remote gaming licences. In common with several other European countries these regulatory reforms went hand in hand with tax changes which levied gaming duty on a place of consumption basis. Online operators remain at an advantage to land-based businesses under the new rules; while the rates are broadly comparable, land-based businesses must pay tax on the stakes received rather than the revenue generated.

VAT claims

Since 2006, Rank has invested significant resource in pursuing litigation to reclaim overpaid VAT. In all, Rank has received £284.2 million of VAT and interest relating to this litigation. Following five rulings in Rank's favour from the UK courts, Rank's case was referred to the ECJ in 2010. The decision of the ECJ was published on 10 November 2011. The decision led HMRC to concede the bingo element of Rank's claims. However, the element of Rank's claim relating to amusement machines (totalling £30.8m) has been referred back to the UK courts. Rank's case was heard by the UK courts in June and we expect a decision on this case shortly.

Rank has submitted several other claims pursuant to the principle of fiscal neutrality, pertaining (in the main) to VAT overpaid on amusement machine income. Rank has estimated that these claims total more than £275 million, including interest. The delay in the conclusion of Rank's current litigation, in particular the referral back to the UK courts, means that we do not expect these additional claims to be settled for at least two years. However, this delay has not altered our appraisal of our chances of success in this matter.

VAT claims summary

	Payment received	Litigation concluded	VAT and interest claimed/ received £m
Bingo income	Yes	Yes	253.4
Amusement machine income	Yes	No	30.8
Additional VAT claims (including simple interest)	No	No	275.0*

* This is Rank's current best estimate of the value of the claims.

At present, HMRC accepts that taxpayers are entitled to receive interest on repayments caused by HMRC's error. Such interest is calculated on a simple basis. However, there is ongoing litigation that such interest should be calculated on a compound basis. Rank has protected its position with regard to such claims as other tax payers are bringing litigation on this point.

Details of the claims are also set out in note 30 ('Contingent assets') and note 31 ('Contingent liabilities'). The Group believes that it has a reasonable chance of success with each claim.

Monthly tax generated

UK tax regime

	Gaming duty/Gross profits tax	VAT	AMLD[3] per machine (annual)
Mecca			
Category B3 gaming machines[1]	20%	20%	£2,480
Category C gaming machines[1]	20%	20%	£935
Category D gaming machines[1]	5%	20%	–
Main stage bingo	20%	–	–
Interval bingo	20%	–	–
Online[2]	15%	–	–
Grosvenor			
Casino games and poker[4]	15% – £0 to £2,175k	–	–
	20% – £2,175k to £1,501.7k		
	30% – £1,501.7k to £4,127.7k		
	40% – £4,127.7k to £9,670.2k		
	50% – over £10,755k		
Category B1 gaming machines[1]	20%	20%	£3,150
Online[2]	15%	–	–

1 In Budget 2012 it was announced that from 1 February 2013, gaming machines would no longer be subject to VAT and AMLD but rather subject to a gross profits tax – Machine Games Duty.
2 Rank's online business is based offshore (Alderney, Channel Islands) and is not subject to this taxation at present. However, HM Treasury has proposed a change to the betting and gaming tax regime which would bring this income into the UK tax net.
3 Amusement Machine Licence Duty.
4 Tax on gaming win per premises in a six-month period.

Spanish tax regime

	Bingo duty[1]	Remote gaming duty	VAT	Licence per machine (annual average)
Bingo tax set by region	15% to 25%	–	–	–
Category B2/3 gaming machines	–	–	18%	€4,021
Multi-post electronics	–	–	–	€10,600
Online	–	25%	–	–

1 Calculated as a percentage of stake.

Belgian tax regime

	Gaming duty	VAT	Licence (annual)
Table games	33% – €0 to €865k	–	–
	44% – over €865k		
Electronic roulette / amusement machines	20% – €0 to €1,200k	–	–
	25% – €1,200 to €2,450k		
	30% – €2,450 to €3,700k		
	35% – €3,700 to €6,150k		
	40% – €6,150 to €8,650k		
	45% – €8,650 to €12,350k		
	50% – over €12,350k		
Online	11%		

BOARD OF DIRECTORS

In 2012 Rank's board has been strengthened by the addition of two new non-executive directors who bring a wealth of experience in industry and politics.

Ian Burke
Chairman and chief executive
Appointment: March 2006 **Age:** 56

Experience: Ian has spent the majority of his career in the leisure industry, initially in bingo clubs, then hotels and health and fitness clubs. He was chief executive of the Holmes Place Group from July 2003 to February 2006, chief executive of Thistle Hotels plc from May 1998 to May 2003 and held various roles with Bass plc from November 1991 to June 1995, including managing director of Gala Clubs and managing director of Holiday Inns.

Clive Jennings
Finance director
Appointment: July 2011 **Age:** 51

Experience: Clive was previously Rank's group financial controller prior to which he was the financial controller of Rank's gaming division. He held senior finance positions in a number of other companies prior to joining Rank in July 2000. He is a chartered accountant.

Richard Greenhalgh
Senior independent director
Appointment: July 2004 **Age:** 68

Experience: Richard brings human resources and big brand expertise to the board, having spent more than 30 years with Unilever PLC including time as deputy director of personnel. He chairs Rank's remuneration and nominations committees. **Current roles:** chairman of The Council for Industry and Higher Education since May 2003; chairman of CARE International UK since July 2004; chairman of Surrey and Borders Partnership NHS Foundation Trust since February 2011; a member of the advisory boards of Liaison Financial Services Limited and JustAccounts Limited; a director of British Youth Opera since October 2005; a Fellow of Green Templeton College, Oxford. **Former roles:** chairman of Unilever UK (July 1998 to July 2004); and chairman of First Milk (November 2004 to October 2009).

Colin Child
Non-executive director
Appointment: January 2012 **Age:** 54

Experience: Colin has a wealth of experience gained within large multi-national businesses operating in a wide range of sectors, including casino gaming. He is also a chartered accountant. **Current roles:** group finance director of De La Rue plc, the commercial security printer and papermaker, since June 2010. **Former roles:** group finance director of DTZ Holdings plc (October 2007 to March 2009), Stanley Leisure plc (March 2006 to February 2007), Fitness First Plc (January 2001 to April 2003) and National Express Group PLC (September 1993 to July 1999).

The Rt. Hon. Sir Richard Needham (Earl of Kilmorey)
Non-executive director
Appointment: May 2012 **Age:** 70

Experience: Sir Richard has diverse experience in commerce and industry and in Government. **Current roles:** non-executive director of Avon Rubber p.l.c. since January 2007; non-executive chairman of VANE Minerals plc since July 2009 and of Tetra Strategy Limited, a political consultancy, since May 2009; director of Smarta Enterprises Limited, the UK's largest online resource for small businesses, since October 2008; and non-executive director of NEC Europe Ltd, a leading internet services and systems solutions provider, since October 1997. **Former roles:** chairman of Avon Rubber p.l.c. (January 2007 to February 2012); a director of various Dyson group companies (October 1995 to February 2012, including four years as deputy chairman); chairman of Biocompatibles International plc (July 2000 to June 2006) and of The Heart Hospital Limited (November 1998 to November 2001); non-executive director of GEC plc (October 1995 to August 1997); Minister of Trade (1992 to 1995); and Northern Ireland Minister (1985 to 1992).

Owen O'Donnell
Non-executive director
Appointment: September 2008 **Age:** 45

Experience: Owen's background is in online businesses including online media and online gaming. He is also a chartered accountant. **Current roles:** non-executive director of Plumbee Limited, a social and mobile casino games business, since May 2012. **Former roles:** non-executive chairman of fanduel.com (November 2009 to December 2011), chief financial officer of Joost, King.com, Betfair and of FT.com and director of finance and performance measurement of Pearson plc.

Tim Scoble
Non-executive director
Appointment: April 2010 **Age:** 55

Experience: Tim is an experienced leisure operator, with particular expertise in developing consumer brands and service delivery. He is also a chartered accountant. **Current roles:** strategic adviser to banks and private investors in the leisure sector. **Former roles:** UK chief executive of Guoman Hotels (formerly Thistle Hotels) (January 2006 to April 2012); chief executive of GuocoLeisure Limited, a Singapore listed company controlled by Guoco Group Limited (January 2009 to December 2011); managing director of Moat House Hotels (2001 to 2003); and chief executive of Little Chef and a director of Travelodge (2003 to 2005).

Bill Shannon
Non-executive director
Appointment: April 2006 **Age:** 62

Experience: Bill's background is in branded multi-site leisure retailing, having spent 30 years at Whitbread PLC during which he was a managing director of three major divisions. He is also a chartered accountant. **Current roles:** non-executive director of Johnson Service Group PLC since May 2009; non-executive director and chairman of St. Modwen Properties PLC since November 2010; and an operating executive at Tri-Artisan Partners LLC, a private equity house. **Former roles:** non-executive director of Aegon UK (1997 to December 2011) and its chairman from November 2005; non-executive director of Barratt Developments PLC (September 2005 to October 2010) and Matalan PLC (April 2005 to December 2006); chairman of the Gaucho Grill group of restaurants (June 2005 to August 2008); and director of Whitbread PLC (December 1994 to June 2004).

John Warren
Non-executive director
Appointment: January 2006 **Age:** 59

Experience: John has more than 30 years' experience in finance roles in consumer goods companies. He is a chartered accountant and chairs Rank's audit committee. **Current roles:** non-executive director of Spectris plc since March 2006 and its senior independent director since November 2010; non-executive director of Bovis Homes Group PLC since March 2006, Welsh Water since May 2012, and 4imprint Group plc since June 2012. **Former roles:** chairman of Uniq plc (March 2007 to October 2011); non-executive director of BPP Holdings plc (May 2006 to July 2009), Arla Foods UK PLC (February 2006 to April 2007), RAC plc (September 2003 to June 2005) and Rexam PLC (March 1994 to May 2003); group finance director of WH Smith PLC (September 2000 to March 2005); and various roles at United Biscuits (Holdings) Plc, including group finance director, (1981 to 2000).

Frances Bingham
Company secretary
Appointment: May 2008 **Age:** 47

Experience: For eight years Frances was company secretary and legal director of the multi-national health and fitness group, Holmes Place Group, and prior to that she was a solicitor in private practice.

MANAGEMENT TEAM

Board committees

Audit: John Warren (chairman), Colin Child, Owen O'Donnell, Bill Shannon

Remuneration: Richard Greenhalgh (chairman), Owen O'Donnell, Tim Scoble, Bill Shannon, John Warren

Nominations: Richard Greenhalgh (chairman), Ian Burke, Tim Scoble, Bill Shannon, John Warren

Finance: Ian Burke (chairman), Colin Child, Clive Jennings, Tim Scoble

Management team

Our executive committee is not a board committee. It is responsible for day-to-day trading and is accountable to the chief executive for promoting and developing a profitable, long-term business.

Grosvenor Casinos
Managing director – Phil Urban

Mecca Bingo
Managing director – Mark V Jones

Rank Interactive
Managing director – Mark A Jones

Top Rank España
Managing director – Jorge Ibáñez

Corporate

Chairman and chief executive – Ian Burke

Finance
Finance director – Clive Jennings

Legal, compliance and security
Company secretary – Frances Bingham

Technology
Chief technology officer – Rob McDonald

People
Human resources director – Sue Waldock

Strategy
Strategy director – Dan Waugh

CORPORATE GOVERNANCE

Governance statement

The board is committed to ensuring that the Group is well managed and that rigorous and transparent procedures allow this to happen.

The principal governance rules applying to UK companies listed on the London Stock Exchange are contained in The UK Corporate Governance Code, revised by the Financial Reporting Council in June 2010 (the "Code"). This report also includes the information that is required by the Financial Services Authority's Disclosure Rules and Transparency Rules ("DTR") to be contained in the Company's annual report.

Save in relation to Code provision A.2.1 (roles of chairman and chief executive not to be exercised by the same individual), the board confirms that it has complied with the provisions of the Code throughout the 18-month period ended 30 June 2012. Please see page 61 for an explanation as to why the board has not complied with Code provision A.2.1.

This statement explains how we have applied the principles of the Code, our governance policies and practices and how we run the business for the benefit of shareholders.

Code main principles

Leadership

The role of the board

Board composition

As at the date of this report, the board consists of:

- a senior independent director;
- six further independent non-executive directors; and
- two executive directors – the executive chairman and chief executive and the finance director.

The names and biographies of all directors are published on pages 56 to 57.

Key board responsibilities

The board is responsible for:

- Group strategy, objectives and policies;
- general and long-term progress within the political, economic, environmental and social setting of the day;
- financial performance, annual budgets and business plans;
- major capital expenditure, acquisitions and divestments;
- annual and half-year financial results and interim management statements;
- board committees and their terms of reference;
- internal controls and risk management;
- responsible gambling and ethical behaviour;
- sound governance, health and safety, and environmental policies;
- board and company secretary appointments;
- senior management structure, remuneration and succession; and
- investor relations.

Specific responsibilities are delegated to our four board committees – audit, remuneration, nominations and finance. They report to the board and operate within defined terms of reference, which can be obtained from our website at www.rank.com/governance/index.jsp or by writing to the company secretary.

Board meetings

Board meetings allow for regular and frank discussion of strategy, trading, financial performance and risk management.

There were 12 scheduled meetings during the period under review; a further six meetings to discuss specific issues and a further 18 meetings of the independent members of the board to consider matters arising from the general offer for Rank made by its now majority shareholder, Guoco Group Limited ("Guoco"). Two meetings during the period under review were devoted entirely to strategy.

During the period under review, the board's committees also met regularly to discharge their duties.

In exceptional circumstances when a director is unable to attend a meeting, his comments on briefing papers are given in advance to the relevant chairman.

The directors' attendance at board and committees meetings during the period under review is recorded in the table below. It shows the number of meetings attended by each director compared with the number of meetings that director was eligible to attend.

	Full board	Independent board	Audit committee	Remuneration committee	Nominations committee	Finance committee
Current directors						
Ian Burke	18/18	14/14	n/a	n/a	5/5	16/16
Colin Child	7/8	n/a	2/2	n/a	n/a	7/7
Richard Greenhalgh	17/18	18/18	2/2	8/8	5/5	n/a
Clive Jennings	13/14	n/a	n/a	n/a	n/a	8/8
Sir Richard Needham	3/4	n/a	n/a	n/a	n/a	n/a
Owen O'Donnell	18/18	18/18	4/4	8/8	n/a	n/a
Tim Scoble	18/18	n/a	n/a	3/3	1/1	7/7
Bill Shannon	17/18	18/18	3/4	8/8	4/5	n/a
John Warren	18/18	17/18	4/4	8/8	5/5	n/a
Former directors						
Paddy Gallagher	4/4	14/14	n/a	n/a	n/a	8/8
Peter Johnson	4/4	18/18	n/a	n/a	2/2	8/8
Mike Smith	1/3	n/a	n/a	n/a	n/a	n/a

Notes
1 Mr Burke resigned from the board on 28 June 2011 and was reappointed on 3 July 2011.
2 Mr Child was appointed to the board and the audit committee with effect from 1 January 2012.
3 Mr Greenhalgh stepped down from the audit committee with effect from 1 January 2012.
4 Mr Jennings was appointed to the board with effect from 27 July 2011.
5 Sir Richard was appointed to the board with effect from 1 May 2012.
6 Mr Scoble was an appointee of Guoco and was therefore not eligible to attend any of the independent board meetings. He was appointed to the remuneration, nominations and finance committees with effect from 14 September 2011. He was not eligible to attend one nominations committee meeting as it related to his re-appointment following him ceasing to be an appointee of Guoco with effect from 30 April 2012 and becoming independent with effect from that date.
7 Mr Shannon was not eligible to attend one nominations committee meeting as it related to his re-appointment.
8 Mr Gallagher resigned from the board on 28 June 2011.
9 Mr Johnson resigned from the board with effect from 15 July 2011.
10 Mr Smith was an appointee of Guoco and was therefore not eligible to attend any of the independent board meetings. He resigned from the board with effect from 30 April 2011.

Insurance and indemnity

The Company has arranged insurance cover and indemnity in respect of legal action against its directors to the extent permitted by law.

Directors' insurance and indemnity do not provide cover in situations where a director has acted fraudulently or dishonestly.

Conflicts of interest

The directors have a statutory duty to avoid conflicts of interest. In accordance with our articles of association, we have adopted a policy and procedure for managing and, if appropriate, authorising actual or potential conflicts of interest.

Directors are required to disclose any other new appointments before agreeing to take them on, so that any conflicts of interest can be identified and addressed.

During the period under review, two non-executive directors took on positions with external organisations and no conflicts of interest in relation thereto have been identified.

The board also assesses conflicts of interest before making any new appointments.

The Company's conflicts of interest procedure was used during the period under review when Guoco announced its general offer for Rank on 6 May 2011 and proved to be sufficiently robust in dealing with the conflicts that arose in relation to the presence of Messrs Scoble and Smith on the board.

Division of responsibilities

Since 15 July 2011 the Company's chief executive has also assumed the role of executive chairman.

Following the conclusion of Guoco's general offer for Rank, the Company retained its listing on the London Stock Exchange in relatively unusual circumstances in that it was with a 74.51% majority shareholder.

Given this unusual situation, the board was of the view that it was important for there to be a clear line of communication between the Company and its majority shareholder and that this would be for the benefit of all shareholders. The board was of the view that this would be best achieved by combining the role of chairman and chief executive.

The board agreed that it would keep under regular review the impact and wider implications of one individual assuming the combined chair and chief executive role.

The following key changes have taken place consequent upon Mr Burke assuming the combined chair and chief executive role:

- the finance committee* (which, amongst other things, sets, monitors and reports on operating plans, comparison of our brands' actual financial performance against budget and year-end forecasts) has been reconstituted and it now comprises two non-executive directors in addition to the chief executive and finance director;

- the senior independent director has taken the chair of the nominations committee (which was previously held by the former chairman);

- agendas for board meetings are agreed with the senior independent director; and

- the senior independent director has also taken the lead role in terms of board and committee evaluations.

The board reviewed the combined position in December 2011 and again in June 2012. At each such review Mr Burke was requested to comment on whether assuming the combined role placed an undue burden on him and in each case Mr Burke confirmed that this was not the case.

At its most recent review the board identified potential times during board meetings when it might be desirable for the chief executive to relinquish the chair in order to facilitate a particular discussion. The board has also reviewed the impact of having a combined role on succession planning.

The board is also satisfied that despite the fact that Mr Burke undertakes the combined role of chairman and chief executive, he does not enjoy unfettered powers of decision.

At meetings that the senior independent director and company secretary had with the Company's four largest institutional shareholders between May and July this year, those shareholders were invited to express any concerns that they had with regard to Mr Burke assuming the combined role for the time being, and no specific concerns were raised.

The board has formed the view that Mr Burke is successfully undertaking his primary duty as chair in leading the board, and as chief executive in directing and promoting the profitable operation and development of the Group consistent with the primary objective of creating long-term shareholder value.

The board will continue to keep the position under regular review.

Non-executive directors

The directors are satisfied that there are proper procedures in place to ensure that:

- they are receiving accurate and clear information for the proper execution of their duties;

- the Group's objectives, policies and strategies are consistent with lasting shareholder value;

- they are able to keep the Group's progress and development under review;

- they have an opportunity to challenge constructively, and help develop, proposals on strategy;

- there are effective communications with all shareholders; and

- the Group's governance is effective.

Senior independent director

As senior independent director since April 2006, Richard Greenhalgh is available to talk with shareholders who have questions or concerns. Until the resignation of the former non-executive chairman, he also chaired meetings when non-executive directors reviewed the performance of the former non-executive chairman. Led by the senior independent director, the non-executive directors met and reviewed the chairman and chief executive's performance without him being present.

Effectiveness

The composition of the board

Size and structure

The nominations committee keeps the board's size and structure under review. The nominations committee is of the view that the board is well balanced providing a collective competence to suit the Group's developing needs and an appropriate blend of executive and non-executive skill. We believe that all our directors are suitably qualified to help steer and challenge Group strategy.

More than half of our board is independent:

Name	Independent	Appointed
Executive		
Ian Burke*	x	March 2006
Clive Jennings	x	July 2011
Non-executive		
Colin Child	✓	January 2012
Richard Greenhalgh**	✓	July 2004
Sir Richard Needham	✓	May 2012
Owen O'Donnell	✓	September 2008
Tim Scoble***	✓	April 2010
Bill Shannon	✓	April 2006
John Warren	✓	January 2006

* Ian Burke was originally appointed to the board on 6 March 2006. He resigned from the board on 28 June 2011 and was reappointed on 3 July 2011. On 15 July 2011 he became executive chairman.
** Richard Greenhalgh is the senior independent director.
*** Until 30 April 2012, Tim Scoble was not independent – he was an appointee of Guoco, a parent company of Rank's largest shareholder, which currently owns 291,046,540 ordinary shares in the Company, representing 74.51% of voting rights. Tim Scoble has been independent since 30 April 2012 when he ceased to be an appointee of Guoco.

The principal terms and conditions of appointment for each director are set out on pages 75 and 76 and their interests in Rank shares are detailed on page 82.

* The finance committee's terms of reference are available from the Company's website at www.rank.com/downloads/terms_of_reference/tor_finance_committee.pdf, or by writing to the company secretary.

Board diversity

During the period under review, the nominations committee has continued to consider the issue of diversity in the context of the board and is mindful of the benefits that diversity would bring to the board. Whilst the board currently lacks diversity, the nominations committee remains of the view that it is not appropriate to increase the size of the board merely in order to address diversity. Nevertheless the board is committed to addressing its lack of gender diversity.

Committees

The composition and chairmanship of our board committees is considered annually and has been considered twice during the period under review. There have been changes made to the composition of all board committees during the period under review.

Appointments to the board

Nominations committee

The formal terms of reference of the nominations committee are available on our website at www.rank.com/downloads/terms_of_reference/tor_nominations_committee.pdf, or by written request to the company secretary.

The nominations committee is responsible for identifying relevant talent and nominating all board appointments. During the period under review the committee met formally on five occasions. The main issues which it discussed were:

- board composition;
- board diversity;
- succession planning for non-executive chairman;
- appointment of additional non-executive directors;
- review of independence of former Guoco appointee;
- re-appointment of two non-executive directors; and
- chairmanship and membership of board committees.

Terms of appointment

The agreed terms and conditions for non-executive directors comply with the Code and are available for inspection at the Company's registered office.

Resignation and appointment of finance director

In his former position as group financial controller, Clive Jennings had already been identified by the board as a potential successor to the role of finance director and his professional development had been tailored accordingly. Additionally he had been assessed by an external search consultancy. Following the resignation of Paddy Gallagher as finance director on 28 June 2011, the board, on the recommendation of the nominations committee, appointed Clive as finance director on 27 July 2011.

Appointment of additional non-executive directors

Following the announcement of the intended resignation of the former non-executive chairman at the Company's annual general meeting in April 2011, an executive search agency was retained to identify his successor. Before his successor was identified, Guoco's general offer for Rank was launched and closed in July 2011, whereupon the chief executive assumed the chairmanship of Rank.

Consequent upon completion of the general offer, the board resolved to bolster its independence by the appointment of two further non-executive directors. For these appointments the committee decided not to use an external search consultancy or open advertising and instead was of the view that it would consider potential candidates recommended by existing directors and third parties. When considering recommendations, the committee had due regard to the benefits of diversity on the board. A number of potential candidates were put forward on a short list and three members of the nominations committee met two of those candidates. One of those candidates, Colin Child, was appointed to the board and to the audit committee with effect from 1 January 2012.

The committee continued its search for one further independent non-executive director. The committee was particularly interested in identifying an individual who would be able to assist the Group with its lobbying efforts in the UK given the highly regulated nature of the Group's operations and the impact that changes in regulation had had in the past. An individual with this skill set would not normally be the sort of individual found via an executive search consultancy. One candidate with the requisite background, Sir Richard Needham, was recommended to the committee chairman and he and another committee member interviewed Sir Richard, following which he was recommended for appointment to the board and duly appointed with effect from 1 May 2012.

Re-appointment of non-executive directors

As at 31 December 2011 John Warren had served his second three-year term as a non-executive director of the Company. The nominations committee considered the re-appointment of John Warren for a further term and, with a view to avoiding more than one non-executive director resigning in the same year, resolved to recommend to the board his re-appointment for a further two years with effect from 1 January 2012, which recommendation the board accepted.

As at 2 April 2012 Bill Shannon had served his second three-year term as a non-executive director of the Company. The nominations committee considered the re-appointment of Bill Shannon for a further term and, mindful of the need to refresh the board progressively, resolved to recommend to the board his re-appointment until 31 December 2012.

With effect from 30 April 2012, Tim Scoble ceased to be a representative of Guoco. Mr Scoble and the board consider Mr Scoble to be independent with effect from that date. Given that Mr Scoble's experience as a leisure operator, with particular expertise in developing consumer brands and service delivery, was beneficial for Rank the board, on the recommendation of the nominations committee, agreed that Mr Scoble should remain as a director at least until after the 2012 annual general meeting following which the nominations committee would give the matter further consideration given the composition of the board at that time.

Commitment

The terms of appointment of non-executive directors are outlined on page 75 of the directors' remuneration report. All non-executive directors are required to disclose their other significant commitments both before appointment and following subsequent changes so that the board can satisfy itself that each of the directors has sufficient time to allocate to the Company to discharge his responsibilities effectively.

Executive directors are permitted to accept one external appointment in a non-executive capacity and to retain any fees received, provided there are no conflicts either in interests or time. This is in recognition of the fact that such appointments can broaden the knowledge and experience of executive directors to the benefit of Rank.

Neither Ian Burke nor Clive Jennings currently holds any directorships outside the Rank Group. Ian Burke currently serves as a visiting professor at the Centre for Management Studies at Birmingham City University. There is no set time commitment for this role which is unpaid.

Development

Induction

During the period under review, one executive and two non-executive directors were appointed to the board. The non-executive directors were given a comprehensive induction programme, which included briefings on the Group's trading environment, site visits and meetings with senior management and the external auditors. The executive director had been the Group's financial controller for a number of years and therefore his induction was tailored having regard to his prior knowledge of the business and trading environment.

Skills and knowledge

All directors are given quarterly written briefings with regard to matters affecting the Group's businesses, such as the gambling market, the competitive landscape, technological developments and the political and regulatory environment. Additionally, at the board's request, the Group's auditors keep the board abreast of key impact items such as political and regulatory initiatives with regard to narrative reporting, executive remuneration, going concern, the role of the audit committee, audit tenders and the choice of service provider for non-audit services.

Directors are invited to identify to the company secretary or human resources director any desired skills and knowledge enhancements that they require so that appropriate training can be arranged.

Additionally, once a year, the directors have an opportunity to review and agree their respective training and development needs during their one-on-one meetings with the executive chairman.

Information and support

Assisted by the company secretary, the chairman and chief executive is responsible for ensuring that directors receive accurate and timely information on all relevant matters.

The directors receive a monthly report of current and forecast trading results and treasury positions, as well as updates on shareholder views.

A rolling programme of items sets the agenda for board discussion. This is regularly reviewed and updated to cover topical issues and developments.

Comprehensive briefing papers on substantive agenda items are circulated at least five working days before meetings where possible. These contain detailed background information, thus freeing time for informed debate.

We operate an open-door policy between the board and the management team. Members of the management team also make regular board presentations to ensure a flow of operational information reaches the directors in a timely way. In addition to the two strategy debate days that took place between the management team and the board during the period under review, the managing directors of Grosvenor Casinos and Mecca Bingo presented to the board on five occasions and the chief technology officer, human resources director and director of strategy presented on one occasion each.

All directors have access to the advice and services of the company secretary and, if required, may take independent advice and/or professional development at the Company's expense.

Evaluation

To monitor overall board performance, we use off-the-record questionnaires between the executive chairman and each director to evaluate individuals, the committees and the board as a whole.

The chairman and chief executive conducted individual interviews with each board member to discuss their contributions during the year. The senior independent director conducted an individual interview with the chairman and chief executive to review his individual performance in the period under review.

The non-executive directors, led by the senior independent director, held their meeting to appraise the chairman and chief executive's performance and effectiveness in June 2012.

The board reviewed and discussed anonymised responses to the board and committee evaluation questionnaires. The board agreed that there were some additional actions that could be undertaken in order to make the board more effective, but nevertheless were agreed that, overall, the board functioned effectively during the period under review and that its committees continued to discharge their duties in line with their respective terms of reference.

Additionally, following the completion of Guoco's general offer for Rank in July 2011, the board met to appraise its performance during the bid process. To assist in this process it requested input from external advisers who had knowledge of the board's actions and deliberations during the bid. The post-bid board performance appraisal identified some areas where the board might have acted differently following Guoco's announcement that it controlled 56.4% of the voting rights in Rank and that its offer was then unconditional.

Re-election

All new directors must stand for election at the first annual general meeting after their appointment and, thereafter, at intervals of no more than three years. Non-executive directors are engaged for an initial period of three years and must stand for election and re-appointment in the same way. Rank's articles of association require one third of serving directors to retire annually.

Colin Child, Clive Jennings and Sir Richard Needham have all been appointed to the board since the last annual general meeting and are therefore required to submit themselves for election at the forthcoming annual general meeting on 19 October 2012.

On the recommendation of the nominations committee, at a meeting of the board held in December 2011, it was agreed that the Company would comply with the Code's requirement for annual re-election of directors of FTSE-350 companies.

Therefore all other directors will also submit themselves for re-election at the forthcoming annual general meeting.

Accountability

Risk management and internal control

Risk management

As part of its risk oversight role, the board satisfies itself that the necessary steps are taken to foster a culture of risk-adjusted decision-making throughout the Group. The board strives to ensure that risk management is an integral component of the Group's corporate strategy, culture and value generation process. The board's view is that risk management should be neither an impediment to the conduct of business nor a mere supplement to the Group's overall compliance programme.

The risk management process is reviewed by the audit committee on behalf of the board and monitored regularly by the chief executive, supported by the company secretary.

The Company's risk management reporting provides knowledge of current and emerging risks, trends and opportunities that may colour strategic decisions. Rank communicates with regulators, Government, non-governmental organisations and other bodies who have opinions about Rank's business, its future and effects.

Compliance with the Bribery Act 2010 and HM Treasury Financial Sanctions forms part of the general risks and internal controls reporting to the board. Our audit committee also reviews management's bi-annual reports on anti money laundering, internal and external fraud, whistleblowing, code of conduct and inadvertent breaches of legislation.

Following an externally facilitated risk assessment exercise undertaken in the final quarter of 2010, the board has reviewed the mitigating actions, risk indicators and measurement criteria for the Group's current principal risks. During December 2011 and January 2012 the firm that facilitated the Group's most recent risk assessment exercise undertook a review to assist the board in understanding, and to comment upon, the robustness of Rank's mitigating activities and risk reporting for four of the top risks. The results of that external review, together with management's comments, were considered by the board in March 2012.

At its meetings in June 2011 and May 2012, the board considered and discussed its appetite for risk. Given that Rank operates in an industry which is subject to government intervention, there would be a tendency towards a lower risk appetite than in some other businesses.

Principal risks and uncertainties

We outline below in more detail what we are doing to address our principal risks. The key financial risks facing the Group can be found on page 51.

Taxation and regulation
Adverse change (fiscal and regulatory) in legislation continues to be our biggest risk.

Changes in political and social attitudes to gambling in our key markets and negative publicity surrounding the gambling industry could negatively influence regulators' perception of gambling and could lead to increased gambling regulation. This could have an adverse effect on our business and profitability and prevent us from providing gambling services.

We are subject to gambling taxation and levies in Great Britain and the other countries in which we operate. Any increases in the levels of taxation or levies to which we are subject, or the implementation of any new taxes or levies to which we will be subject, could have a material adverse effect on our business, financial condition and results of operations. For further information please see our tax fact file on page 52.

We participate actively in trade bodies' presentations to Government and opposition parties. As we have done in previous years, during the period under review we have arranged key stakeholder familiarisation visits to some of our sites in order that stakeholders can have an opportunity to see our businesses in operation. This enables stakeholders to gain a better understanding of the positive effect of our business activities, including the provision of a safe environment within which adults can enjoy gambling, the creation of employment and the generation of revenues for the Exchequer.

IT security
We are highly dependent on technology and advanced information systems and our systems may fail or be vulnerable to hacker intrusion, malicious viruses and other cyber crime attacks. Distributed denial-of-service attacks and other forms of cyber crime, such as attempts by computer hackers to gain access to our systems and databases for the purposes of manipulating results and/or stealing personal information of our customers, may cause systems failure, business disruption and have materially adverse effects on our financial condition. Whilst we employ prevention measures, such attacks are by their nature technologically sophisticated and may be difficult or impossible to detect and defend. If our prevention measures should fail or be circumvented, our reputation may be harmed and current or potential customers may be deterred from using our services, which in turn could have a material adverse effect on our financial condition.

We have policies and procedures in place to safeguard our customer data and to respond swiftly to breaches and attempted breaches of the Group's IT systems. Systems penetration testing is carried out regularly and our IT policies and procedures are regularly reviewed in the light of developments. We continue to increase our IT security resource as our brands grow online and as we deploy more technology in our clubs.

External events
Customers may be prevented or deterred from accessing our clubs due to factors such as extreme weather, illness or disease epidemics, terrorist threats, strikes and public transport system failures. Whilst these matters are outside our direct sphere of influence, we continue to work hard to better prepare ourselves for such eventualities, particularly in terms of co-ordinating with our interactive businesses and making sure that employees can get to work.

Loss of licences
Rank's gaming licences are fundamental to its operation and therefore the loss of them would be catastrophic for Rank. This fact has fostered a heavily compliant culture within Rank. Rank has a dedicated compliance function that is independent of operations and a separate internal audit function that is independent of both operations and the compliance function. Rank maintains a strong and open relationship with the Gambling Commission, the body responsible for regulating commercial gambling in the United Kingdom. Since entering the online gaming market, Rank has worked hard to build a similarly strong and open relationship with the Alderney Gambling Control Commission, which is responsible for the regulation of eGambling in the States of Alderney. Our responsible gambling and anti money laundering review committees meet quarterly to review topical issues, trends and statistics and their findings are reported to our audit committee. We also have a director of security who is supported by an experienced security team who have built informal relationships with police forces in the areas in which we operate so that if problems arise there are open channels of communication.

Economic environment
The uncertain economic environment, higher indirect taxation and public sector job cuts could adversely affect our customers' expenditure on leisure activities and we therefore monitor customer spending closely. We are constantly looking to identify ways to improve our offer so that we become our customers' leisure destination of choice. We maintain a programme of active engagement with members of our banking panel and we check the bond and debt markets regularly for availability so that we can move quickly should they show signs of tightening.

Level of Rank shares in public hands

Under Listing Rule 6.1.19R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being held in public hands. Under this rule, the shares held by Hong Leong Company (Malaysia) Berhad, Ameriprise Financial, Inc. and its group companies and Prudential plc and subsidiary companies may not be regarded as being in public hands, with the result that the number of Rank's shares distributed to the public is below the 25% threshold set out in Listing Rule 6.1.19R. Under Listing Rule 6.1.20R, the FSA may modify Listing Rule 6.1.19R to accept a percentage below 25% if it considers that the market will operate properly with a lower percentage. Under Listing Rule 5.2.1R, the FSA has the power to cancel the listing of securities if it is satisfied that there are special circumstances that preclude normal regular dealings in them. Rank is in discussions with the FSA in relation to this issue.

Internal control framework

To maintain control and direction over strategic, financial, operational and compliance issues, the board has put in place formally defined lines of responsibility and delegation of authority.

Established procedures are geared to identify, evaluate and manage significant risks and to monitor the Group's businesses and performance.

This framework is reviewed annually and is designed to safeguard shareholders' investments and the Group's assets, while ensuring that proper accounting records are maintained. Senior management is responsible for making sure that controls and procedures are enforced and that the board is informed of any risks and control issues that arise.

Financial control: there is a comprehensive system for reporting financial results to the board, a budgeting process incorporating an approved budget and quarterly re-forecasts. The chief executive and Group finance director hold monthly review meetings with managing directors and their respective heads of finance.

Financial reporting control: detailed policies and procedures are in place to ensure the accuracy and reliability of financial reporting. A new financial reporting system was installed during 2011 which has enhanced our reporting capability.

Strategic control: the board reviews the Group's strategic plans annually and regularly reviews strategic progress.

Operational control: our procedures are laid down in detailed manuals and reinforced by employee training. Each business unit carries out a monthly self-audit to test key controls and report weaknesses to operational management.

Communication control: the executive directors and senior management meet regularly with representatives from the businesses to address financial, human resource, risk management and other control issues.

Our system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and provides reasonable, not absolute, assurance against material misstatement or loss. It controls, rather than eliminates, any human error, deliberate misconduct or unforeseen events.

Internal audit

Our internal audit team provides an objective and continuous stream of data and opinion on risk management and control. To avoid bias, it is entirely independent of the business operations under audit and line management is to the Group's finance director.

The team is responsible for a systematic appraisal of our adherence to policies and procedures. Its role is to safeguard Rank's assets and interests from loss, including fraud, and to ensure the integrity of financial information.

Following the sudden passing away of the Group's former head of internal audit at the end of 2011, a decision was made to split the internal audit function, separating operational audit from systems and finance audit.

The head of operational internal audit makes regular presentations to the committee and reporting includes comparative and trend analysis. During the period under review the audit committee had four closed sessions with the former and current heads of internal audit without executive management being present.

To embed control further, the scores used by internal audit to monitor each business unit's reporting performance also affect operational management bonuses.

Compliance

Compliance affects our reputation, legal position and financial sustainability. The board is responsible for compliance across the Group and for ensuring that all Rank businesses meet local legal and regulatory requirements.

Compliance with the Gambling Act 2005 is fundamental to the survival of Rank's businesses, creating a heavily compliant culture within the Company.

A dedicated compliance and security team of 15 employees monitors day-to-day adherence to the provisions of the Gambling Act 2005 and other regulatory obligations.

Senior executives and the internal audit team are responsible for monitoring overall compliance. They report to the audit committee and the board.

Control culture

The board oversees a culture of strong control and risk management. This is reflected in:

- directors' methods of enforcing control, some of which were established through Rank's historical activities in the USA and the requirement to comply with the Sarbanes-Oxley Act 2002;
- management style and philosophy;
- dedicated teams for compliance and internal audit; and
- Rank's organisational structure and clear lines of accountability, authority and responsibility.

Code of conduct

Rank has an employee code of conduct that sets out our values and principles and guides everyone's behaviour. Adherence to the code is important. It upholds our reputation and relationships, inside and outside the Company.

The audit committee is responsible for monitoring management reports on employee conduct, including our whistleblowing programme.

Audit committee and auditors

Audit committee membership and meetings

The board has established an audit committee of four independent non-executive directors. A rolling agenda and topical items determine the committee's discussions.

Members of the audit committee are listed on page 58. The board is satisfied that the majority of the committee's members has recent and relevant financial experience.

The chairman and chief executive, finance director, company secretary and group financial controller normally attend committee meetings, as do the external auditors. Other directors are encouraged to attend at least one committee meeting a year at which the auditors are present.

The committee met formally four times in the period under review. Its terms of reference are available from the Company's website at www.rank.com/downloads/terms_of_reference/tor_audit_committee.pdf, or by writing to the company secretary.

Role of the audit committee

The audit committee assists the board in reviewing and maintaining internal controls, the management of risk and our compliance with the law and regulation.

It monitors and reviews the effectiveness of the Group's internal audit function.

It also assesses the integrity of all public financial statements before their submission to the board, ensuring we present a fair assessment of the Group's ongoing position and prospects.

Any changes in accounting policies are authorised by the committee, which also reviews the objectivity and effectiveness of our external auditors every year.

The committee oversees the Company's internal code of conduct and monitors our whistle-blowing programme through which employees may, in confidence, raise concerns about possible improprieties in areas of financial reporting, financial control and other ethical matters.

The committee is regularly updated on accounting and legislative changes through briefing papers from the Group finance director and others.

Audit committee activity in 2011/12

At its meetings in the 18-month period to 30 June 2012 the committee examined the effectiveness of the Group's approach to:

- assessment of risk – by reviewing evidence of current and emerging risk and the Group's risk management processes;
- internal control – by approving the internal audit plan and reviewing its findings, reviewing the annual and interim financial statements, reviewing the reports of the external auditors and reviewing the effectiveness of the Group's internal audit function;
- action plans to address any failings or weaknesses of internal control; and
- action plans to manage significant risks.

This process has been in place during the period and up to the date of approval of this annual report and financial statements. It has been reviewed by the board and meets the Turnbull Internal Control Guidance for directors.

Audit committee evaluation

The audit committee's performance was assessed by questionnaire to members and other executives who have dealings with the committee in July 2012. The board concluded that the committee continues to function effectively.

Auditors

The auditors, Ernst & Young LLP, are willing to continue in office and a resolution that they be re-appointed at a remuneration to be agreed by the audit committee will be proposed at the forthcoming annual general meeting.

Relations with external auditors

Our auditors are employed to express an opinion on the financial statements. They review the systems of internal financial control and the data contained in the financial statements to the extent necessary to express their opinion.

They discuss with management the reporting of operational results and the financial position of the Group, and present findings to the audit committee.

Information

The directors in office at the date of this report are not aware of any relevant information that has not been made available to the auditors and each director has taken steps to be aware of all such information and to ensure it is available to the Company's auditors.

Non-audit work

The audit committee oversees the nature and amount of any non-audit work undertaken by the auditors to ensure they remain independent. Consequently, the committee is required to approve in advance all non-audit services above a specified value.

When seeking external accountancy advice in relation to non-audit matters, the Group's policy is to invite competitive tenders where appropriate. It is also the Group's policy to balance the need to maintain audit independence with the desirability of taking advice from the leading firm in the area of advice being sought and the desirability of being efficient.

Details of the fees paid to Ernst & Young LLP throughout the period under review can be found on page 103.

A large portion of the non-audit fees paid to Ernst & Young LLP relate to the working capital and commercial due diligence reports in connection with the proposed acquisition of Gala Casinos Limited. Rank obtained a proposal for the working capital work from another accounting firm but, on balance, concluded that Ernst & Young LLP should be retained to carry out the work given their knowledge of the gaming industry and given the fact that any other firm would need to carry out additional work in order to familiarise themselves with Rank's financial position. The commercial due diligence work was also undertaken by Ernst & Young LLP on the same basis. Most of the remainder of the non-audit fees paid to Ernst & Young LLP related to tax advice. Again, Rank obtained a proposal for this work from another accounting firm but concluded that it was more desirable to engage Ernst & Young LLP. The remainder of the fees related to legacy tax matters in relation to which Ernst & Young LLP has advised since before it was appointed as the Group's auditors and Rank does not consider it to be efficient to move the work to another firm.

Rank has used the services of other accounting firms for non-audit work during the period under review.

Notwithstanding the level of non-audit fees paid to Ernst & Young LLP throughout the period, Rank is satisfied that the objectivity and independence of the audit partner and the audit engagement team have not been compromised.

Auditor assessment

In addition to a private meeting between the audit committee chair and the external audit partner, the committee meets with the auditors following each audit committee meeting in a closed session without executive directors to assess the objectivity and accuracy of financial reporting.

The committee reviews the external audit process and the auditor's performance at least annually, providing feedback to the auditors from management assessments.

Having reviewed their performance throughout the period, our conclusion on their effectiveness enables us to recommend their reappointment for 2012/13.

Assurance

The internal audit function and the external auditors presented their findings to the committee in February 2011, July 2011, January 2012 and June 2012. We confirm that action plans to remedy identified weaknesses in internal control and risk management have been in place throughout the period.

Ernst & Young LLP's audit report is published on page 86.

Relations with shareholders

Dialogue with shareholders

The board as a whole takes responsibility for ensuring that satisfactory dialogue with shareholders takes place.

We speak with institutional shareholders and city analysts through a programme of investor relations and regular meetings with principal shareholders.

All directors receive reports to keep them in touch with shareholder opinion. During the period under review, a total of 32 meetings with 17 shareholders were attended by one or more of the former chairman, senior independent director, current chairman and chief executive and finance director.

Formal briefings on shareholder opinion are circulated to the board after presentation of the Company's interim and annual results.

The Group has circulated to institutional investors, other shareholders and potential shareholders who have so requested, a monthly investor update newsletter covering broker research, consensus forecasts, share price performance, business news and industry information.

The principal method of communicating with all our shareholders is via our corporate website, www.rank.com. Information can be provided in paper format but only when shareholders specifically request this.

Shareholders may also use electronic means to vote – or appoint a proxy to vote on their behalf – at the annual and other general meetings of the Company.

Constructive use of the annual general meeting

All shareholders are welcome to attend our annual general meeting ("AGM"). Private investors are encouraged to ask questions following a summary business presentation of the Group's results and development plans.

The chairman and chief executive and chairmen of the audit, remuneration, nominations and finance committees are all present.

Shareholders are invited to vote on the formal resolutions contained in the notice of meeting, which is published at least 20 working days beforehand. The business presentation, voting results and a summary of the questions and answers are made available at www.rank.com, or in printed format on request.

Next AGM

The 2012 annual general meeting will be held on 19 October 2012 and the full text of the notice of meeting, together with explanatory notes, is set out in a separate document at: http://www.rank.com/downloads/agm/nom_2012.pdf.

If you have elected for paper information, this will be enclosed with your hard copy of this annual report. Shareholders wishing to change that election may do so at any time by contacting the Company's registrar (contact details are on page 149 and on our website at http://www.rank.com/investors/shareholder_faqs.jsp).

Other disclosures

The Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, the Financial Reporting Council's UK Corporate Governance Code (June 2010) (the "Code"), the Financial Services Authority's (the "FSA") Listing Rules and the Financial Services Authority's Disclosure Rules and Transparency Rules ("DTR") contain mandatory disclosure requirements in relation to this annual report in respect of the 18-month period ended 30 June 2012.

For ease of reference we have provided below details of the pages within this annual report and financial statements where you will find many of the mandatory disclosures, all of which are incorporated by reference and deemed to form part of our directors' report:

Directors

The directors who served during the period under review are:

Name	Position	Effective date of change
Ian Burke	Chairman & chief executive	Resigned 28 June 2011 and re-appointed 3 July 2011. Became executive chairman on 15 July 2011
Colin Child	Non-executive director	Appointed 1 January 2012
Paddy Gallagher	Finance director	Resigned 28 June 2011
Richard Greenhalgh	Senior independent director	
Clive Jennings	Finance director	Appointed 27 July 2011
Peter Johnson	Chairman (non-executive)	Resigned 15 July 2011
Sir Richard Needham	Non-executive director	Appointed 1 May 2012
Owen O'Donnell	Non-executive director	
Tim Scoble	Non-executive director	
Bill Shannon	Non-executive director	
Mike Smith	Non-executive director	Resigned 30 April 2011
John Warren	Non-executive director	

Share capital

The Company's authorised share capital as at 30 June 2012 was £180m, divided into 1,296,000,000 ordinary shares of 13$^{8}/_{9}$p each. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. There were 390,613,426 shares in issue at the period-end (390,529,314 as at 31 December 2010), which were held by 12,007 registered shareholders (19,085 as at 31 December 2010).

During the period under review a total of 84,112 shares were issued to participants in The Rank Group 2005 Share Savings Scheme pursuant to the exercise of options under the three-year issue made in 2007 at an exercise price of 139.00p per share.

Distribution of registered shareholders as at 30 June 2012

Range	Total number of registered shareholders	% of holders	Total number of shares	% of issued share capital
1 – 1,000	9,966	83.00%	2,062,151	0.53%
1,001 – 5,000	1,617	13.47%	3,346,864	0.86%
5,001 – 10,000	161	1.34%	1,152,230	0.29%
10,001 – 100,000	202	1.68%	6,227,469	1.59%
100,001 – 1,000,000	50	0.42%	16,672,827	4.27%
1,000,000 and above	11	0.09%	361,151,885	92.46%
Totals	12,007	100.00%	390,613,426	100.00%

Significant shareholders

Majority shareholder

During the period under review, Hong Leong Company (Malaysia) Berhad (the ultimate parent company of Guoco Group Limited ("Guoco")) acquired a controlling interest in Rank consequent upon the general offer made by its Hong Kong listed subsidiary company, Guoco, via its wholly-owned subsidiary, All Global Investments Limited (now known as Rank Assets Limited).

Hong Leong Group is a leading conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investments and hospitality and leisure. Further information on the Hong Leong Group can be found at www.hongleong.com.

Guoco is an investment holding company. The principal activities of its subsidiaries and associated companies include investment, property development, financial services and hospitality and leisure. Further information on the Guoco group of companies can be found at www.guoco.com.

One of Guoco's other investments in the hospitality and leisure sector is a 66.54% stake in the Singapore-listed GuocoLeisure Limited. Further information on that company can be found at www.guocoleisure.com.

Interests of 3% or more

The following interests of 3% or more of the total voting rights attached to ordinary shares have been notified to the Company in accordance with the Financial Services Authority's (the "FSA") Disclosure Rules and Transparency Rules ("the DTRs"). Due to the fact that the DTRs only require notification where the percentage voting rights reaches, exceeds or falls below 3% and each 1% threshold above 3%, there is a difference between disclosures made pursuant to the DTRs and those disclosed on our website at www.rank.com/investors/major_shareholders.jsp which are based on responses to s.793 Companies Act 2006 ("CA 2006") notices issued by the Company. For ease of reference, we have included below voting rights in respect of both DTRs disclosures and s.793 CA 2006 responses up to and including the date of this report.

		As per FSA DTRs disclosures		As per s.793 CA 2006 enquiry responses as at 30 June 2012		As per s.793 CA 2006 enquiry responses as at 16 August 2012	
Date last notified	Shareholder	% held	Voting rights	% held	Voting rights	% held	Voting rights
30.12.2011	Hong Leong Co. (Malaysia) Berhad	74.51%	291,056,540	74.51%	291,046,540	74.51%	291,046,540
09.03.2012	Prudential plc and subsidiary companies	5.85%	22,878,293	6.91%	26,980,013	6.95%	27,140,635
28.03.2012	Ameriprise Financial, Inc. and its group companies	5.03%	19,640,833	5.98%	23,359,698	5.96%	23,270,114
23.10.2009	Aviva plc and subsidiary companies	3.02%	11,805,912	3.55%	13,857,228	3.56%	13,891,404

Under Listing Rule 6.1.19R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being held in public hands. Under this rule, the shares held by Hong Leong Company (Malaysia) Berhad, Ameriprise Financial, Inc. and its group companies and Prudential plc and subsidiary companies may not be regarded as being in public hands, with the result that the number of Rank's shares distributed to the public is below the 25% threshold set out in Listing Rule 6.1.19R. Under Listing Rule 6.1.20R, the FSA may modify Listing Rule 6.1.19R to accept a percentage below 25% if it considers that the market will operate properly with a lower percentage. Under Listing Rule 5.2.1R, the FSA has the power to cancel the listing of securities if it is satisfied that there are special circumstances that preclude normal regular dealings in them. Rank is in discussions with the FSA in relation to this issue.

Directors' interests in shares

Please see page 82 of the directors' remuneration report for details of the directors' interests in shares.

Rights and restrictions attaching to shares

Voting rights

Each ordinary share carries the right to one vote at general meetings of the Company.

Meeting rights

Registered holders of ordinary shares are entitled to attend and speak at general meetings and to appoint proxies.

Information rights

Holders of ordinary shares are entitled to receive the Company's annual report and financial statements.

Share transfer restrictions

There are no specific restrictions on the transfer of shares contained in the Company's articles of association.

The Company is not aware of any agreements between the holders of Rank shares that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

Variation of rights
Subject to applicable legislation, the rights attached to Rank's ordinary shares may be varied with the written consent of the holders of at least three quarters in nominal value of those shares, or by a special resolution passed at a general meeting of the ordinary shareholders.

Directors' powers in relation to shares
Allotment and issue of shares
Subject to the provisions of the CA 2006, and subject to any resolution passed by the Company pursuant to the CA 2006 and other shareholder rights, shares in Rank may be issued with such rights and restrictions as the Company may by ordinary resolution decide. If there is no such resolution or so far as the Company does not make specific provision, they may be issued as Rank's board of directors may decide. Subject to the Company's articles of association, the CA 2006 and other shareholder rights, unissued shares are at the disposal of the board.

The Company currently has no shareholder authority to allot and grant rights over any proportion of the Company's unissued share capital, nor does it have shareholders' authority to allot and grant rights over ordinary shares without first making a pro rata offer to all existing ordinary shareholders. Neither of these authorities is required for the purpose of allotting shares pursuant to employee share schemes. Since the board has no present intention of allotting shares for any other reason, these shareholder authorities will not be sought at the forthcoming annual general meeting.

Market purchases of own shares
The Company currently has no shareholder authority to make market purchases of its own shares and it has no present intention of making any such purchases. Therefore the Company does not intend to seek such authority at the forthcoming annual general meeting.

Directors' other powers
Subject to legislation, the directors may exercise all the powers permitted by the Company's memorandum and articles of association. A copy of these can be obtained by writing to the company secretary, or from Companies House.

The articles contain provisions to empower the directors in certain specific matters, including:

- appointment of directors, subject to subsequent shareholder approval;
- delegation of powers to a director, secretary or committee of one or more persons;
- the Company's powers to borrow money; and
- the ability of a director to vote on matters in which he has an interest.

Changes to the Company's articles of association can only be made by a resolution passed by a majority of no less than 75% of shareholders.

Change of control
Our principal loan term and credit facility agreements and the facilities agreements in place for the purposes of the proposed acquisition of Gala Casinos Limited contain provisions that, on a change of control of Rank, immediate repayment can be demanded of all advances and any accrued interest.

We have arrangements with one employee to provide compensation for loss of employment in the event of a change of control at Rank, should no suitable role be offered by a new owner.

The provisions of the Company's share schemes and incentive plans may cause options and awards granted to employees to vest in the event of a takeover.

A change of control may also affect licences to operate, as specified in the provisions of the Gambling Act 2005 and the Alderney eGambling Regulations 2009 (as amended) and the Belgian Games of Chance Act 1999 (as amended).

Save in relation to outstanding awards under Rank's long-term incentive plan (see page 79), the acquisition by Guoco of a controlling interest in Rank during the period under review did not have any impact on any of the above matters.

Critical contractual and other arrangements
We assess and record any risks in our dealings with major suppliers as part of the Group's overall risk management process. Contingency plans are in place to deal with events should key supply arrangements be terminated without due warning.

Our procurement team also reviews the financial health of our main suppliers. We have concluded that, while unexpected termination of any of the Group's major contractors would be disruptive, it would not have a severe adverse effect.

Suppliers – payment policy and practice
Rank's individual businesses and intermediate holding companies agree terms and conditions for business transactions with their respective suppliers. Payments are made to suppliers once they have met these terms and conditions.

At 30 June 2012 the Group had an average of 28 days' purchases owed to trade creditors (2010: 38).

The Company is the holding company of the Rank group of companies and as such has no trade creditors.

Charitable donations
In the 18-month period under review we made, or committed, charitable donations in the UK of £507,000 (2010: £360,000), of which the largest was £423,000 (2010: £306,000) to Responsible Gambling Trust (the charitable organisation formed following the merger of The GREaT Foundation and the Responsible Gambling Fund).

Further information can be found in the operating responsibly section of this report, pages 40 to 45.

Political donations

We made no political donations during the period under review.

It has been Rank's long-standing practice not to make cash payments to political parties and the board intends that this will remain the case. However, the CA 2006 is very broadly drafted and could catch activities such as funding seminars and other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities. Accordingly, as in previous years, the directors will be seeking shareholders' authority for political donations and political expenditure at the forthcoming annual general meeting in case any of Rank's activities are inadvertently caught by the legislation.

Responsibility statements under the DTR

Each of the directors named on pages 56 and 57 confirms that to the best of his knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the directors' report (which incorporates the Group operating and financial review) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the risks and uncertainties that they face.

Directors' responsibility statements

Annual report and financial statements

The directors are responsible for preparing the annual report (including the directors' report, the directors' remuneration report and the corporate governance statement) and the financial statements of the Group and the Company, in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;*
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and final performance;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements for both the Company and the Group on the going concern basis, unless it is appropriate to assume that the Group will not continue in business, in which case there should be supporting assumptions or qualifications.

The directors confirm that they have complied with all of the above.

Accounting records

The directors must keep proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, for the Group financial statements, Article 4 of the International Accounting Standard (IAS) Regulation.

Safeguarding assets

The directors are also accountable for safeguarding the assets of the Company and the Group and, therefore, for taking reasonable steps to prevent and detect fraud and other irregularities.

Corporate website

The maintenance and integrity of Rank's corporate website, on which this annual report and financial statements are published, is the board's responsibility. We would draw attention to the fact that legislation in the UK on the preparation and publication of financial statements may differ from other jurisdictions.

By order of the board

Frances Bingham
Company secretary
16 August 2012

REMUNERATION REPORT

Introduction

This remuneration report has been prepared on behalf of the board by the remuneration committee (the "committee"), under the chairmanship of Rank's senior independent director.

The committee has applied the principles of good governance set out in The Corporate Governance Code and, in preparing this report, has complied with Regulation 11 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") and the United Kingdom Listing Authority listing rules ("the Listing Rules").

Rank's external auditors are required to report to shareholders on the audited information contained in this report and to state whether, in their opinion, it has been prepared in accordance with the Regulations.

A resolution to approve this report will be proposed at the annual general meeting to be held on 19 October 2012. A summary of the directors' total emoluments for the 18-month period to 30 June 2012 is set out in Table 1, page 84.

Committee membership

	Committee member since
Richard Greenhalgh – committee chairman	1 July 2004 (chair since 27 April 2006)
John Warren	1 January 2006
Bill Shannon	3 April 2006
Owen O'Donnell	15 January 2010
Tim Scoble	14 September 2011

Role and remit of the committee

The committee assists the board in setting the remuneration packages for the Company's executive directors and other executive committee members.

The committee has four scheduled meetings a year to discuss a rolling agenda of items. By invitation, the chief executive, human resources director and company secretary attend and contribute to meetings, but are not present at discussions regarding their own remuneration.

Additionally, the committee chairman attends an annual remuneration planning meeting with management and external advisors in order to agree the nature of the financial and other information to be produced for the committee at future meetings. This is to ensure that the committee has before it all information that it needs in order to have informed discussions about the setting of remuneration packages.

The committee's formal terms of reference are available on Rank's website at www.rank.com/downloads/terms_of_reference/tor_remuneration_committee.pdf, or by written request to the company secretary.

Committee evaluation

The committee's performance during the period under review was assessed via confidential questionnaires with committee members and other individuals who support its work. Results were then reviewed by the committee chairman and discussed with the board.

The board agreed that the committee continued to perform effectively.

Remuneration policy

The performance of Rank is dependent upon the quality of its directors, senior executives and employees and therefore the Group seeks to attract, retain and motivate skilled directors and senior executives of the highest calibre, without paying more than is necessary. In order to attract such individuals the committee needs to ensure that the remuneration packages properly reflect an individual's duties and responsibilities, are appropriate and competitive, sensitive to pay elsewhere within the Group and directly linked to performance.

External advisers to the committee

Towers Watson are the external remuneration advisors appointed by the committee. They attended five out of the committee's eight meetings during the period under review and also attended the committee chairman's remuneration planning meeting.

Towers Watson did not provide any other services to the Group during the period under review.

Committee deliberations during 2011/12

During the period under review there were eight committee meetings, all of which were attended by all committee members who were eligible to attend those meetings.

Matters discussed by the committee during the period included the following:

- Remuneration packages for new members of the executive committee
- 2011/12 fixed pay review
- 2011/12 annual bonus payments
- 2010 LTIP – size and targets for 2011 award
- 2005 LTIP – vesting of 2007 four-year and 2008 three-year awards
- Consequences of change of control of Rank for LTIPs
- Consequences of change of Group accounting reference period for short and long-term incentives
- Review of shareholding guidelines
- 2012/13 annual bonus plan structure and targets
- Composition of performance-based remuneration
- Pensions – implications of new legislation
- Implications of the new UK Corporate Governance Code on remuneration
- Annual review of remuneration policy and practices

Non-executive directors

Terms of appointment

All non-executive directors have letters of appointment with the Company for an initial three-year term, terminable by either party without liability for compensation. Their dates of appointment are as follows:

Name	Date of letter of appointment	Appointment date
Richard Greenhalgh	05 Mar 2004	01 Jul 2004
John Warren	19 Oct 2005	01 Jan 2006
Bill Shannon	28 Feb 2006	03 Apr 2006
Owen O'Donnell	20 Aug 2008	11 Sep 2008
Tim Scoble	17 May 2010	22 Apr 2010
Colin Child	20 Dec 2011	01 Jan 2012
Sir Richard Needham	29 Mar 2012	01 May 2012

Remuneration

Remuneration payable to the non-executive directors consists of fixed fees, which are set at a level to reflect the time and commitment they bring to their respective roles and to attract and retain relevant skills and experience.

The remuneration of non-executive directors is determined by the finance committee and is reviewed annually. Arrangements are in place for any member of the finance committee who is also a non-executive director to excuse himself from any discussions regarding his own fees.

No performance based fees are paid to the non-executive directors and they are not entitled to participate in any of the Group's share plans.

Since 1 January 2011 annual fees payable to non-executive directors have been as follows:

- Base non-executive annual fee £40,000
- Audit committee chair £8,500
- Remuneration committee chair £7,500
- Senior independent director £2,500

Base fees paid to non-executive directors were last increased effective 1 January 2011. In December 2011, the executive directors reviewed the level of fees payable to the non-executive directors, in conjunction with advice from Towers Watson. It was determined that there would be no increase to the non-executive directors' base fees nor would there be an increase to the committee chair and senior independent director fees, which have remained static since, respectively, 1 January 2006 and 1 January 2007.

The table below summarises the annual remuneration payable to each current non-executive director with effect from 1 January 2011 or, if later, the date of his appointment, and with effect from 1 July 2012.

Name	Annual base fee	Annual cttee chair fee	Annual SID fee	Total annual fees
Colin Child	£40,000	–	–	£40,000
Richard Greenhalgh	£40,000	£7,500	£2,500	£50,000
Sir Richard Needham	£40,000	–	–	£40,000
Owen O'Donnell	£40,000	–	–	£40,000
Tim Scoble	£40,000	–	–	£40,000
Bill Shannon	£40,000	–	–	£40,000
John Warren	£40,000	£8,500	–	£48,500

Fees paid to current and former non-executive directors throughout the 18-month period under review are contained in the audited information section of this report on page 84.

Executive directors

Summary

The table below summarises the executive directors' terms of appointment and annual remuneration as at 1 July 2012. Details of the remuneration paid to the current and former executive directors' throughout the 18-month period to 30 June 2012 is contained in the audited section of this report starting on page 84.

Name	Ian Burke	Clive Jennings
Current position	Chairman & chief executive	Finance director
Original date of appointment	6 March 2006	27 July 2011
Notice period	12 months	12 months
Fixed remuneration		
Base salary	£525,300	£300,000
Pension	£183,855 (35% of base salary)	£45,000 [*less LEL]
Car allowance	£18,500	£12,750
Benefits	£19,000	£3,000
Performance based remuneration		
Short-term incentives – annual cash bonus	Maximum opportunity of 100% of base salary	Maximum opportunity of 80% of base salary
Long-term incentives	No long-term incentive is currently in place for any performance period beyond 31 December 2013 – as stated on page 80 a proposal is under consideration and will be put to shareholders for approval in due course	No long-term incentive is currently in place for any performance period beyond 31 December 2013 – as stated on page 80 a proposal is under consideration and will be put to shareholders for approval in due course

Terms of appointment

Notice

The Company's policy is that executive directors' contractual notice periods should normally not exceed 12 months. Both the chief executive and finance director have 12-month contractual notice periods.

The former finance director's service agreement of 2 June 2008 provided for a 12-month contractual notice period. He resigned on 28 June 2011. His resignation as a director took immediate effect and, by mutual agreement, his resignation as an employee took effect from 6 November 2011 to ensure a smooth handover to his successor.

Severance/compensation payments

Any compensation payment made as a consequence of an executive director leaving the Company is subject to remuneration committee approval, the terms of the contract and the reasons for the termination.

Except where stipulated in a contract, severance payments are usually limited to the payment of un-worked contractual notice, comprising base salary and a cash payment for fixed benefits (including pension contributions).

In situations involving breach of the Company's policies and dismissal, either a reduced payment or no payment will be made. Depending on the circumstances, the executive may be entitled to exercise outstanding share options or long-term incentive grants.

There was no compensation paid or severance payment made to the former finance director consequent upon his resignation.

Fixed remuneration

The objective of fixed remuneration is to provide a base level of remuneration which is competitive in order to attract high calibre individuals and appropriate to the executive directors' skills and responsibilities.

The committee takes advice from its independent remuneration advisors, Towers Watson, with regard to levels of fixed remuneration. These are determined with reference to available market data from comparator groups, taking into account sector, scale and area of operations. When agreeing individual base salaries, the committee considers comparable salary levels, individual performance, Group performance and across-the-board employee pay trends. Executive directors' remuneration is reviewed annually by the committee.

Fixed remuneration comprises base salary, pension contributions and other benefits that are defined by market levels.

Base salary
The chief executive's annual base salary is £525,300 and it has not been increased since 1 January 2007. When the incumbent finance director joined the board in July 2011 his starting base salary was established at lower quartile with the intention, subject to satisfactory performance, of conducting a base pay review after a year. Following a review at its July 2012 meeting, the committee agreed to increase the finance director's annual base salary to £300,000 so that it was more in line with market median. That increase took effect from 1 July 2012.

In January 2012 a general pay review was implemented throughout the Group which was in line with the uplift applied to the national minimum wage in October 2011. In the Group's Spanish and Belgian operations, inflation-based statutory increases were applied.

Pension
The chief executive receives a salary supplement of 35% of base salary in lieu of a Company pension contribution. The finance director is a member of the Company's stakeholder pension plan and receives a company pension contribution of 15% of base salary less the statutory 'lower earnings limit'.

Other benefits
Executive directors' other benefits include a motor vehicle allowance and associated running costs, private medical insurance, permanent health insurance and life cover.

Performance-based remuneration
The performance based components of executive directors' remuneration seek to align the rewards attainable by executive directors with the achievement of particular annual and longer-term objectives of Rank and the creation of shareholder value over the short and long term.

Short-term incentives
Rank operates an annual cash bonus scheme in which executive directors participate. This scheme rewards the executive directors for achieving strategic goals and stretching financial targets. Throughout the financial periods 2008 to 2010 the average annual cash bonus pay-out has been 40% of base salary.

At the beginning of 2011, a scheme was put in place for what was then the 2011 financial year. In October 2011 the Company changed its accounting reference date to 30 June and therefore the committee thought it appropriate to put in place a scheme for the period to 30 June 2012.

2011 annual cash bonus
Profitability remained the executive team's main focus during 2011 and the primary measure for the directors' cash bonus was Group operating profit. Additionally, in recognition of the importance that meeting and exceeding customer expectations has for the generation of sustainable growth in earnings per share, a discrete element of the 2011 annual cash bonus opportunity was linked to achieving individual business net promoter scores ('NPS').

The Group's operating profit target for the calendar year 2011 was not achieved and therefore the element of bonus opportunity attributable to Group operating profit for the calendar year 2011 was not earned by the directors. NPS targets for the year 2011 were achieved in three out of four Rank's businesses and therefore executive directors earned a proportionate part of the bonus opportunity that was attributed to NPS.

Bonus measure	Target bonus (payable @ 100% of target) % of salary		Maximum bonus (payable at 120% of target) % of salary		Actual bonus (paid) % of salary		Actual bonus (paid) £
Chief executive							
Group operating profit	47.5%	}	97.5%	}	0%	}	
		} 50%		} 100%		} 1.875%	9,849
Net promoter score	2.5%	}	2.5%	}	1.875%	}	
Finance director*							
Group operating profit	37.5%	}	77.5%	}	0%	}	
		} 40%		} 80%		} 1.875%	2,156
Net promoter score	2.5%	}	2.5%	}	1.875%	}	

* The finance director's bonus entitlement was pro-rated to reflect that he joined the board half way through the 2011 calendar year.

Cash bonus for period to 30 June 2012

Following the change of the Company's accounting reference date to 30 June, the committee put in place an incentive arrangement for the period to 30 June 2012. The arrangement was based on determining a profit pool by reference to a proportion of the Group's profit after tax for the 12 months to 30 June 2012 which pool would be available for distribution by way of a cash bonus to the executive directors and other executive committee members at the discretion of the committee to the extent that threshold targets were met or exceeded.

The committee considered the extent to which the executive directors and other executive committee members should participate in the bonus pool available for distribution (which amounted to £795,382). Achievement of business NPS targets and non-financial business metrics such as employee turnover and engagement were factors which the committee considered when assessing an individual executive's performance for the purposes of determining that individual's participation in the bonus pool. Following its deliberations, the committee resolved that the chief executive and finance director participate in the bonus pool to the following extent:

	Cash bonus	Percentage of base salary	Percentage of available bonus pool
Chief executive	£210,120	40%	26.42%
Finance director	£92,000	40%	11.57%

Payment of these bonuses will be subject to a six-month deferment period and will be paid to the executive directors with the December 2012 month-end payroll.

2012/13 annual cash bonus scheme

The committee has reviewed the operation of the current bonus scheme for the executive directors and other executive committee members and concluded that it would like to continue with the concept of a bonus pool that it utilised for the transitional period between the Group's old and new accounting reference periods.

For the 2012/13 financial year the committee has set a Group profit after tax target and has determined to create a bonus pool which will equate to up to two per cent of the Group's actual profit after tax for the 12 months to 30 June 2013. The amount of the pool that will be available for distribution to executives will depend on the extent to which the threshold Group profit after tax target set by the committee is met or exceeded. The committee will have discretion as to the distribution of any bonus pool having regard to each individual executive's performance, with the chief executive's and finance director's participation therein being capped at 100% and 80%, respectively, of the chief executive's and finance director's base annual salaries.

NPS continues to be an important tool in assessing the Group's effectiveness in meeting and exceeding customer expectations. Whilst no element of the 2012/13 annual cash bonus opportunity is being directly linked to achieving specific NPS targets, achievement of NPS targets and non-financial business metrics such as employee turnover and engagement will be factors which the committee will consider when assessing an individual executive's performance for the purposes of determining that individual's participation in the bonus pool.

Any cash bonuses earned by the executive directors in respect of the 2012/13 financial year will be subject to a six-month deferment period and will be paid with the December 2013 month-end payroll.

Long-term incentives

Overview

The Rank Group Plc 2010 Long-Term Incentive Plan (the "2010 LTIP") is currently the only long-term incentive scheme in place for the executive directors and other senior executives. The Rank Group Plc 2005 Long-Term Incentive Plan (the "2005 LTIP") expired in April 2010 and two contingent share awards under that scheme remained outstanding at the beginning of the period under review.

These contingent share awards have the ability to vest after a given period (typically three years) on achievement of the specified performance targets if the committee is of the view that it is appropriate for an award to vest. In deciding this, the committee considers the Group's total shareholder return ("TSR") performance against the FTSE-350 over the relevant period. The committee believes that such awards are aligned with creating shareholder value over the long-term.

Historically, Rank's long-term incentive plans have not vested frequently. Since 2000 only two long-term incentive awards have vested: an award made in 2002 vested on a proportionate basis (76%) in 2005 and an award made in 2008 vested in full in February 2011 (as reported on page 61 of Rank's annual report in respect of the year ended 31 December 2010). Further information relating to that vesting is contained in Table 3 of the audited section of this report on page 85.

All outstanding awards under the 2010 LTIP have absolute adjusted earnings per share ("EPS") as the primary measure with absolute adjusted EPS targets for both threshold and maximum vesting, pro-rated for performance at intermediate points between threshold and maximum. The choice of absolute adjusted EPS by the committee as the primary measure reflects in part Rank's specialist sector and the fact that there are few publicly quoted direct competitors which make the selection of a relevant comparison problematic. However, when determining whether or not an award should vest, the committee also takes into account TSR over the performance period against the FTSE-350.

The committee recognises that some shareholders have concerns over the use of absolute adjusted EPS and wish to ensure that EPS provides a robust and transparent measure of executive performance which is well aligned with shareholder value creation. The committee believes that it is important to keep under review whether these measures continue to be relevant and motivational. The incentives offered under both the 2005 LTIP and the 2010 LTIP have been set at robust, yet reasonably achievable, levels.

Targets for individual awards are set against a number of factors including analysts' consensus forecasts for the Rank Group, rates of inflation, interest rates, the general economic environment and the expected impact of legislation.

In assessing performance against targets, the remuneration and audit committees will continue work to ensure the principles for fair treatment of exceptional items in the performance periods are applied, the principle being that any adjustments make the measure no less stretching for the executives and are linked closely to the creation of shareholder value.

The rules of the 2005 LTIP provide that the committee shall, as soon as possible after the expiry of the performance period, determine whether the awards should vest and if the committee so determines, the awards vest immediately upon such determination. The rules of the 2010 LTIP provide that awards vest as soon as practicable following the third anniversary of their respective dates of grant.

LTIP awards made during period 1 January 2011 to 30 June 2012

On 11 March 2011 a performance share award was made to the chief executive, the then finance director and other members of the executive committee. Following the resignation of the former finance director in July 2011 (whereupon all his outstanding performance share awards lapsed) and the appointment of a successor, on 4 August 2011 a performance share award was made to the current finance director.

	2011 award 3yr (2013 EPS target)
Date of grant	11 Mar 11 and 04 Aug 11
Award size (% of base salary)	75%
Threshold vesting percentage	25%
Minimum adjusted EPS (threshold vest)	12.0p
Maximum adjusted EPS (100% vest)	14.0p
Mean consensus EPS forecast prior to grant	11.7p

No long-term incentive awards have been made to any executive director or other senior executive to date in 2012.

Future long-term incentive arrangements

The committee is considering the implementation of a new long-term incentive scheme to replace the 2010 LTIP. The committee has, through its chair, consulted its majority shareholder and its four next largest shareholders with regard to their views on performance related pay, and in particular long-term incentives. The committee's deliberations on how such a scheme might work are still at an early stage but it is intended to revert to shareholders with a scheme for their approval in due course.

Change of control of Rank

As discussed on page 72, on 7 June 2012 there was a 'change of control' of Rank for the purposes of the rules of both the 2005 LTIP and the 2010 LTIP.

Active LTIP awards and targets as at 7 June 2011

	2009 award 3yr (2011 EPS target)	2010 award 3yr (2012 EPS target)	2011 award 3yr (2013 EPS target)
Plan	2005 LTIP	2010 LTIP	2010 LTIP
Date of grant	02 Sep 09	various*	11 Mar 11
Award size (% of base salary)	50%	75%	75%
Threshold vesting %	30%	25%	25%
Minimum adjusted EPS (threshold vest)	7.5p	9.5p	12.0p
Maximum adjusted EPS (100% vest)	8.5p	11.5p	14.0p
Mean consensus EPS forecast prior to grant	7.1p	9.5p	11.7p

* The grant dates were 22 April 2010, 10 May 2010 and 1 August 2010.

The executive directors' interests in the 2005 LTIP and the 2010 LTIP are detailed in Table 3, page 85.

The committee considered the implications of the change of control given that the rules of the 2005 LTIP provided that, on a change of control, all outstanding LTIPs should vest on a pro-rated basis unless the remuneration committee in its absolute discretion determined otherwise and given that the rules of the 2010 LTIP provided that, on a change of control, the committee had absolute discretion as to whether and on what basis awards would vest.

In order to assist its deliberations, the committee took advice from its remuneration consultants, Towers Watson, having regard to the then most recent internal EPS projections (vs. EPS performance targets), the length of the remainder of the performance period, total shareholder return, institutional shareholder representative body guidelines and illustrative market practice and advice from Rank's external lawyers, who advised on the interpretation of the rules of both the 2005 LTIP and 2010 LTIP. The committee also took into account the views of the Company's majority shareholder.

With regard to the 2009 award, given that there were only approximately 28 weeks to run until the end of the performance period and given that the then internal EPS projection for the performance period end was 28% higher than the level required for maximum vesting, the committee resolved that this award should vest in full as a consequence of the change of control. The actual EPS at 31 December 2011 (the end of the performance period) was 10.7p (more than 125% of the level required for maximum vesting). Further information relating to this vesting is contained in the notes to Table 3 in the audited section of this report on page 85.

With regard to the 2010 and 2011 awards, the committee considered that it was not in the interests of shareholders that these awards should vest in advance of their normal earliest vesting dates (namely, as soon as practicable following the third anniversary of their respective dates of grant). Equally, the committee considered that it would be inappropriate for the 2010 and 2011 awards to lapse immediately following the change of control given the unusual circumstances of the change of control and the fact that the Company was to remain a listed company after the change of control. A key objective was to retain and motivate the senior management team. Therefore, the committee, after consultation with its majority shareholder, determined that it would be in the best interests of the Company to preserve the 2010 and 2011 awards and allow them to vest at their respective normal vesting dates subject to the existing performance conditions.

Active LTIP awards and targets as at 30 June 2012

	2010 award 3yr (2012 EPS target)	2011 award 3yr (2013 EPS target)
Plan	2010 LTIP	2010 LTIP
Dates of grant*	22 Apr 10 10 May 10 1 Aug 10	11 Mar 11 04 Aug 11
Performance period	01 Jan 10 to 31 Dec 12	01 Jan 11 to 31 Dec 13
Earliest vest dates	22 Apr 13 10 May 13 1 Aug 13	11 Mar 14 04 Aug 14
Award size (% of base salary)	75%	75%
Threshold vesting %	25%	25%
Minimum adjusted EPS (threshold vest)	9.5p	12.0p
Maximum adjusted EPS (100% vest)	11.5p	14.0p
Mean consensus EPS forecast prior to grant	9.5p	11.7p

* No individual director or other senior executive has been granted more than one performance share award in a calendar year.

The committee has considered whether the performance periods for the active LTIP awards should be altered having regard to the Company's change of accounting reference period and has concluded that it is not necessary and that it might indeed be potentially more complicated to attempt this.

The executive directors' interests in the 2005 LTIP and the 2010 LTIP are detailed in Table 3 on page 85.

Exceptional discretionary bonus

Several years ago the chief executive recommended to the board that the Group endeavour to reclaim from Her Majesty's Revenue & Customs ("HMRC") VAT that had been wrongly paid by various Rank Group companies to HMRC over a number of years. Considerable time and effort went into the making of these claims by the chief executive and the current finance director (whilst he was the Group's financial controller). At the time of setting targets for the 2011 annual cash bonus, it was not envisaged that the final outcome of the litigation would be known in relation to any part of the claims during that financial period. As has already been announced, during the period under review, Rank was successful in reclaiming a significant sum of money from HMRC which is no longer subject to the risk of further litigation by HMRC. This has significantly strengthened Rank's balance sheet for the long-term benefit of shareholders.

On the recommendation of the majority shareholder, the committee considered making a one-off discretionary payment to the executive directors and another senior manager involved in the process in order to recognise their efforts over several years in bringing a number of Rank's claims to a successful and final conclusion.

The committee sought the views of the Company's four largest institutional shareholders with regard to the proposed discretionary bonus payments and was mindful of their comments.

After careful consideration the committee resolved that it would be appropriate to reward those involved in the claims by reference to a percentage (0.5%) of the net value of the claims that were no longer subject to any further challenge by HMRC ('net' meaning after deduction of all costs and expenses incurred in connection with the claims) but also subject to a further cap such that no individual would receive a payment of more than one times his basic salary. The committee also determined that the amounts paid to the executive directors would be paid in three equal instalments between September 2012 and December 2013. In order for an instalment to be paid, it is a requirement that the executive director is employed by Rank and is not in a notice period.

Therefore the committee has resolved to make the following discretionary exceptional bonus payments in respect of the period ended 30 June 2012:

	September 2012	April 2013	December 2013	Total
Chief executive	£175,100	£175,100	£175,100	**£525,300**
Finance director	£76,667	£76,666	£76,667	**£230,000**
Total				**£755,300**

The committee would like to emphasise that this is an exceptional reward for exceptional efforts on behalf of the executives in creating additional sustainable long-term shareholder value via the transformation of the Company's balance sheet. It has been included within 'Exceptional items' in note 4 to the financial statements.

Directors' shareholdings

Until October 2011, independent non-executive directors were using between 30% and 40% of their base net fees (after tax) to purchase ordinary shares in the Company at quarterly intervals, with the intention that such shares be retained throughout their tenure of service.

Similarly, the Group had guidelines for executive shareholding which were set as a percentage of base salary and in respect of which executives had five years from appointment to build up. These guidelines were as follows:

- Chief executive 150%
- Finance director 100%
- Other executive committee members 50%

Shareholdings of directors of the Company and its subsidiaries are not considered to be in public hands for the purposes of determining the sufficiency of the percentage of shares in public hands (the "free float") in the context of qualification for a listing on the UKLA's premium market. In view of the low level of free float following the completion of Guoco Group Limited's general offer for Rank in July 2011, the non-executive director quarterly share purchase programme and the shareholding guidelines for executive directors and other members of the executive committee who are directors of Rank subsidiary companies were suspended pending a restoration of the Company's free float to a higher level. For further information with regard to the Company's free float position, please see page 71.

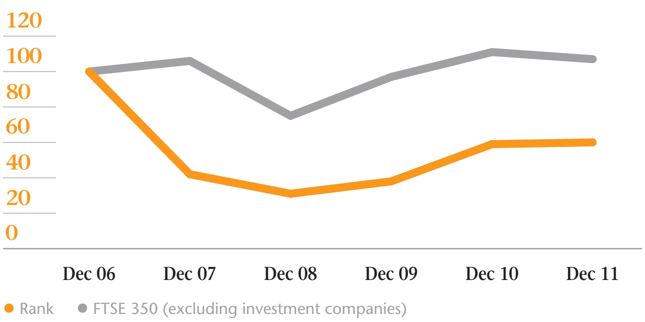
Name	Ordinary 13$\frac{8}{9}$p shares as at 30 June 2012 and as at 16 August 2012	Ordinary 13$\frac{8}{9}$p shares as at 1 January 2011
Non-executive directors		
Colin Child (appointed 1 January 2012)	0	n/a
Richard Greenhalgh	41,955	37,564
Sir Richard Needham (appointed 1 May 2012)	0	n/a
Owen O'Donnell	21,224	17,022
Tim Scoble* (independent since 30 April 2012)	0	0
Bill Shannon	49,032	35,394
John Warren	50,879	46,099
Executive directors		
Ian Burke	763,556	260,553
Clive Jennings	0	n/a

* Until 30 April 2012 Tim Scoble was an appointee of Guoco Group Limited, a parent company of Rank's largest shareholder, which as at 1 January 2011 owned 114,235,699 ordinary shares in the Company, representing 29.25% of voting rights and which currently owns 291,046,540, representing 74.51% of voting rights.

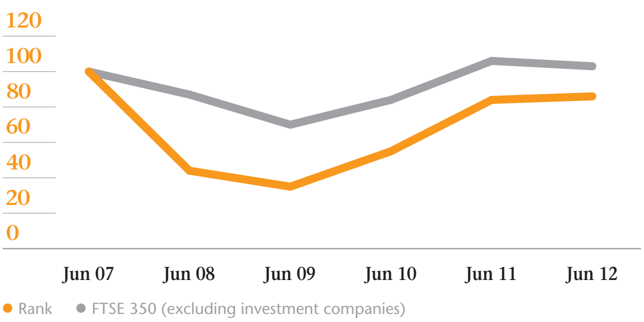
Rank's five-year TSR performance

The Company's TSR performance (shown in orange on the charts below) compared with the FTSE-350 index (excluding investment companies) for the five years to 31 December 2011 and for the five years to 30 June 2012 is shown below. The committee has selected this index as the Company was a constituent of the FTSE-350 for the majority of this period.

(five years Dec-Dec)



(five years June-June)



Audited information

Table 1: Directors' remuneration summary

The table below sets out directors' remuneration in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Schedule 8 Part 3. The table accordingly excludes defined pension contributions of £31,000 made during the period in respect of the finance director. The table also excludes the value of contingent share awards that vested during the period. Further information about these is included in Table 3. Save for the aforesaid exclusions, the detailed emoluments received by the directors for the 18-month period to 30 June 2012 are shown below together with the annual rate of base pay from 1 July 2012:

	18-month period 1 January 2011 to 30 June 2012							Total remuneration		
	Base salary/fees £000	Committee chair/SID fees £000	Benefits £000	Expense allowances (including car allowance) £000	Bonuses £000 (note 8)	Salary supplement in lieu of pension £000	Termination benefits	Total 2011/12 £000 (18 months)	Total 2010 £000 (12 months)	Annual rate of basic pay from 01 Jun 2012 £000
Current directors										
Executive										
Ian Burke	788	–	25	28	745	276	–	1,862	1,083	525
Clive Jennings (note 1)	213	–	7	12	324	–	–	556	–	300
Non-executive										
Colin Child (note 2)	20	–	–	–	–	–	–	20	–	40
Richard Greenhalgh	60	15	–	–	–	–	–	75	48	40
Sir Richard Needham (note 3)	7	–	–	–	–	–	–	7	–	40
Owen O'Donnell	60	–	–	–	–	–	–	60	38	40
Tim Scoble (note 4)	60	–	–	–	–	–	–	60	26	40
Bill Shannon	60	–	–	–	–	–	–	60	38	40
John Warren	60	13	–	–	–	–	–	73	47	40
Former Directors										
Executive										
Paddy Gallagher (note 5)	255	–	6	11	–	38	–	310	519	–
Non-executive										
Peter Johnson (note 6)	85	–	–	5	–	–	–	90	160	–
Mike Smith (note 7)	13	–	–	–	–	–	–	13	26	–
Total	**1,681**	**28**	**38**	**56**	**1,069**	**314**	**–**	**3,186**	**1,985**	**1,105**

Notes
1 Clive Jennings joined the board on 27 July 2011.
2 Colin Child joined the board on 1 January 2012.
3 Sir Richard Needham joined the board on 1 May 2012.
4 Tim Scoble was appointed to the board on 22 April 2010 and, until 30 April 2012, was an appointee of Guoco Group Limited, and his directors' fees were paid to his employer, Guoman Hotels Management (UK) Limited. He became an independent non-executive director with effect from 30 April 2012 from which time his directors' fees have been paid to him personally.
5 Paddy Gallagher resigned from the Rank board on 28 June 2011 and ceased to be employed by Rank on 6 November 2011.
6 Peter Johnson resigned as chairman of the board, and as a director, with effect from 15 July 2011.
7 Mike Smith was appointed to the board on 22 April 2010 as an appointee of Guoco Group Limited, and his directors' fees were paid to his employer, Clermont Leisure (UK) Limited. He resigned from the board on 30 April 2011.
8 £10,000 of Ian Burke's bonus was paid in March 2012 and the balance of £735,000 will be paid in four instalments of £175,100, £210,120, £175,100 and £175,100 at the end of, respectively, September 2012, December 2012, April 2013 and December 2013. £2,000 of Clive Jennings' bonus was paid in March 2012 and the balance of £322,000 will be paid in four instalments of £76,667, £92,000, £76,666 and £76,667 at the end of, respectively, September 2012, December 2012, April 2013 and December 2013.
9 In addition to the above, the widow of John Garrett, a former executive director who resigned on 2 February 1998, received £60,888 (2010: £38,306) in respect of an unfunded pension obligation.

Table 2: Executive directors' interests in options

	Scheme	Date of grant	Exercise price (p)	Number at 01 Jan 2011	Number granted during 2011/12	Number (lapsed) during 2011/12	Number at 30 June 2012	Earliest exercise date	Exercise period end date
Current									
Ian Burke	SAYE 2005 (note 2)	03 Oct 2007	139.00	6,906	–	6,906	–	01 Dec 2010	31 May 2011
Clive Jennings	ESOS 2002 (note 3)	24 May 2002	271.00	17,158	–	17,158	–	24 May 2005	23 May 2012
Former									
Paddy Gallagher	–	–	–	–	–	–	–	–	–

Notes
1 The market value of an ordinary share was 117.00p at 30 June 2012. During the year the highest market value of an ordinary share was 153.70p and the lowest was 109.50p.
2 The Rank Group 2005 Share Savings Scheme. No awards have been made to any Rank director or employee since the awards made on 3 October 2007.
3 The Rank Group 2002 Executive Share Option Scheme. No options under this scheme have been made to any Rank director or employee since the options granted on 12 September 2006.

Table 3: Executive directors' interests in long-term incentive plans

	Plan	Date of award	Market price at award (p)	Market price at vesting (p)	Number at 01 Jan 2011	Number awarded during 2011/12	Number (vested) during 2011/12	Number (lapsed) during 2011/12	Number at 30 Jun 2012	Value of contingent share awards that vested during 2011/12 £000	Status/ performance period ending 31 Dec
Ian Burke	2005 LTIP	15 May 2007	195.50	–	134,271	–	–	134,271	–	–	note 2
	2005 LTIP	10 Sep 2008	78.75	132.34	667,047	–	667,047	–	–	883	note 3
	2005 LTIP	02 Sep 2009	77.75	150.75	337,813	–	337,813	–	–	509	note 4
	2010 LTIP	22 Apr 2010	117.90	–	334,160	–	–	–	334,160	–	2012
	2010 LTIP	11 Mar 2011	128.25	–	–	307,193	–	–	307,193	–	2013
Clive Jennings	2010 LTIP	04 Aug 2011	138.20	–	–	124,819	–	–	124,819	–	2013
Paddy Gallagher	2005 LTIP	10 Sep 2008	78.75	132.34	380,952	–	380,952	–	–	504	note 3
	2005 LTIP	02 Sep 2009	77.75	150.75	192,926	–	192,926	–	–	291	note 4
	2010 LTIP	22 Apr 2010	117.90	–	190,840	–	–	190,840	–	–	note 5
	2010 LTIP	11 Mar 2011	128.25	–	–	175,439	–	175,439	–	–	note 5
Peter Gill (note 1)	2005 LTIP	15 May 2007	195.50	–	95,887	–	–	95,887	–	–	note 2

Notes
1 Peter Gill left the Company on 1 June 2008.
2 At its meeting in February 2011, the committee determined that the award would not vest. Whilst, on the basis of the adjusted EPS measure alone, 58% of the award was due to vest, the committee considered the Group's four-year TSR performance over the same period. Given Rank's performance, relative to the FTSE-350, the committee was of the view that it was inappropriate for any part of the award to vest.
3 At its meeting in February 2011, the committee determined that the award would vest in full. On the basis of the EPS measure, 100% of the award was eligible to vest and given the Group's significantly improved three-year TSR performance over the same period, relative to the FTSE-350, the committee was of the view that the award should vest in full.
4 At its meeting in June 2011, the committee determined that the award would vest in full. For further information, please see page 80.
5 Paddy Gallagher left the Company on 6 November 2011 whereupon all his outstanding contingent share awards lapsed.
6 No contingent share awards vested during the year ended 31 December 2010.
7 No variation was made to the terms of any LTIP awards during the year.

By order of the board

Frances Bingham
Company secretary
16 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RANK GROUP PLC

We have audited the financial statements of The Rank Group Plc for the 18-month period ended 30 June 2012 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity, the Group and Company statements of cash flow and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 73 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2012 and of the Group's profit for the 18-month period then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 73, in relation to going concern;
- The part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the board on directors' remuneration.

Iain Wilkie (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
1 More London Place, London SE1 2AF
16 August 2012

GROUP INCOME STATEMENT

For the 18 months ended 30 June 2012

	Note	18 months ended 30 June 2012 Before exceptional items £m	Exceptional items (note 4) £m	Total £m	12 months ended 31 December 2010 Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Continuing operations							
Revenue before adjustment for free bets, promotions and customer bonuses	2	894.5	–	894.5	567.8	–	567.8
Free bets, promotions and customer bonuses	2	(39.6)	–	(39.6)	(23.3)	–	(23.3)
Revenue	2	**854.9**	**–**	**854.9**	544.5	–	544.5
Cost of sales		**(462.5)**	**–**	**(462.5)**	(296.1)	–	(296.1)
Gross profit		**392.4**	**–**	**392.4**	248.4	–	248.4
Other operating costs		**(297.4)**	**(36.8)**	**(334.2)**	(186.4)	(25.1)	(211.5)
Other operating income		**–**	**84.9**	**84.9**	–	38.5	38.5
Group operating profit	2,3	**95.0**	**48.1**	**143.1**	62.0	13.4	75.4
Financing:							
– finance costs		**(8.5)**	**–**	**(8.5)**	(7.5)	–	(7.5)
– finance income		**0.9**	**81.0**	**81.9**	0.5	5.6	6.1
– other financial losses		**(0.4)**	**–**	**(0.4)**	(0.5)	–	(0.5)
Total net financing (charge) income	5	**(8.0)**	**81.0**	**73.0**	(7.5)	5.6	(1.9)
Profit before taxation		**87.0**	**129.1**	**216.1**	54.5	19.0	73.5
Taxation	6	**(25.5)**	**(26.5)**	**(52.0)**	(16.3)	(8.3)	(24.6)
Profit for the period from continuing operations		**61.5**	**102.6**	**164.1**	38.2	10.7	48.9
Discontinued operations		**–**	**3.4**	**3.4**	–	4.3	4.3
Profit for the period		**61.5**	**106.0**	**167.5**	38.2	15.0	53.2
Attributable to:							
Equity holders of the parent		**61.5**	**106.0**	**167.5**	38.2	15.0	53.2
Earnings per share attributable to equity shareholders							
– basic	9	**15.8p**	**27.2p**	**43.0p**	9.8p	3.9p	13.7p
– diluted	9	**15.7p**	**27.2p**	**42.9p**	9.8p	3.8p	13.6p
Earnings per share – continuing operations							
– basic	9	**15.8p**	**26.3p**	**42.1p**	9.8p	2.8p	12.6p
– diluted	9	**15.7p**	**26.3p**	**42.0p**	9.8p	2.7p	12.5p
Earnings per share – discontinued operations							
– basic	9	**–**	**0.9p**	**0.9p**	–	1.1p	1.1p
– diluted	9	**–**	**0.9p**	**0.9p**	–	1.1p	1.1p

Details of dividends paid and payable to equity shareholders are disclosed in note 8.

Details of the income statement for the 12 months to 30 June 2012 and the 12 months to 30 June 2011 are provided in the unaudited appendix to the financial statements on pages 140 to 148.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the 18 months ended 30 June 2012

	Note	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Comprehensive income:			
Profit for the period		**167.5**	53.2
Other comprehensive income:			
Exchange adjustments net of tax		**(1.1)**	(0.6)
Actuarial loss on retirement benefits net of tax	28	**(0.5)**	–
Total comprehensive income for the period		**165.9**	52.6
Attributable to:			
Equity holders of the parent		**165.9**	52.6

The tax effect of items of comprehensive income is disclosed in note 6.

BALANCE SHEETS

at 30 June 2012

	Note	Group As at 30 June 2012 £m	Group As at 31 December 2010 £m	Company As at 30 June 2012 £m	Company As at 31 December 2010 £m
Assets					
Non-current assets					
Intangible assets	10	**153.7**	167.4	**–**	–
Property, plant and equipment	11	**217.8**	203.0	**–**	–
Investments in subsidiaries	13	**–**	–	**1,186.0**	1,027.6
Deferred tax assets	20	**3.5**	22.1	**0.2**	0.4
Other receivables	15	**3.9**	2.1	**–**	–
		378.9	394.6	**1,186.2**	1,028.0
Current assets					
Inventories	14	**3.1**	3.4	**–**	–
Other receivables	15	**30.7**	27.0	**43.6**	43.6
Income tax receivable	17	**0.1**	0.2	**–**	–
Cash and short-term deposits	25	**72.5**	74.0	**0.1**	–
		106.4	104.6	**43.7**	43.6
Held for sale assets	11	**1.9**	–	**–**	–
Total assets		**487.2**	499.2	**1,229.9**	1,071.6
Liabilities					
Current liabilities					
Trade and other payables	16	**(100.4)**	(98.0)	**(757.9)**	(707.1)
Income tax payable	17	**(31.3)**	(28.5)	**–**	–
Financial liabilities					
– financial guarantees		**–**	–	**(0.1)**	(0.1)
– loans and borrowings	18	**(6.3)**	(8.1)	**–**	–
Provisions	21	**(6.8)**	(6.8)	**–**	–
		(144.8)	(141.4)	**(758.0)**	(707.2)
Net current liabilities		**(38.4)**	(36.8)	**(714.3)**	(663.6)
Non-current liabilities					
Trade and other payables	16	**(0.1)**	(0.2)	**–**	–
Income tax payable	17	**(39.1)**	(35.6)	**–**	–
Financial liabilities					
– loans and borrowings	18	**(24.6)**	(189.4)	**–**	–
Deferred tax liabilities	20	**(1.1)**	(6.1)	**–**	–
Provisions	21	**(46.1)**	(45.8)	**–**	–
Retirement benefit obligations	28	**(3.4)**	(3.0)	**–**	–
		(114.4)	(280.1)	**–**	–
Total liabilities		**(259.2)**	(421.5)	**(758.0)**	(707.2)
Net assets		**228.0**	77.7	**471.9**	364.4
Capital and reserves attributable to the Company's equity shareholders					
Share capital	22	**54.2**	54.2	**54.2**	54.2
Share premium		**98.3**	98.2	**98.3**	98.2
Capital redemption reserve		**33.4**	33.4	**33.4**	33.4
Exchange translation reserve		**13.4**	14.5	**–**	–
Retained earnings (losses)		**28.7**	(122.6)	**286.0**	178.6
Total shareholders' equity		**228.0**	77.7	**471.9**	364.4

These financial statements were approved by the Board on 16 August 2012 and signed on its behalf by:

Ian Burke
Chairman and chief executive

Clive Jennings
Finance director

STATEMENTS OF CHANGES IN EQUITY

for the 18 months ended 30 June 2012

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings (losses) £m	Total £m
At 1 January 2010	54.2	98.2	33.4	15.1	(169.5)	31.4
Comprehensive income:						
Profit for the year	–	–	–	–	53.2	53.2
Other comprehensive income:						
Exchange adjustments net of tax	–	–	–	(0.6)	–	(0.6)
Total comprehensive (expense) income for the year	–	–	–	(0.6)	53.2	52.6
Transactions with owners:						
Dividends paid to equity holders (see note 8)	–	–	–	–	(8.1)	(8.1)
Release of accrual for unclaimed dividends	–	–	–	–	0.4	0.4
Credit in respect of employee share schemes	–	–	–	–	1.4	1.4
At 31 December 2010	54.2	98.2	33.4	14.5	(122.6)	77.7
Comprehensive income:						
Profit for the period	**–**	**–**	**–**	**–**	**167.5**	**167.5**
Other comprehensive income:						
Exchange adjustments net of tax	**–**	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Actuarial loss on retirement benefits net of tax	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(1.1)**	**167.0**	**165.9**
Transactions with owners:						
Shares issued	**–**	**0.1**	**–**	**–**	**–**	**0.1**
Dividends paid to equity holders (see note 8)	**–**	**–**	**–**	**–**	**(14.7)**	**(14.7)**
Purchase of own shares	**–**	**–**	**–**	**–**	**(3.4)**	**(3.4)**
Credit in respect of employee share schemes including tax	**–**	**–**	**–**	**–**	**2.4**	**2.4**
At 30 June 2012	**54.2**	**98.3**	**33.4**	**13.4**	**28.7**	**228.0**

There were no non-controlling interests in either period.

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings (losses) £m	Total £m
At 1 January 2010	54.2	98.2	33.4	130.0	315.8
Profit and total comprehensive income for the year	–	–	–	54.2	54.2
Transactions with owners:					
Dividends paid to equity holders (see note 8)	–	–	–	(8.1)	(8.1)
Release of accrual for unclaimed dividends	–	–	–	0.4	0.4
Credit in respect of employee share schemes	–	–	–	2.1	2.1
At 31 December 2010	54.2	98.2	33.4	178.6	364.4
Profit and total comprehensive expense for the period	**–**	**–**	**–**	**123.5**	**123.5**
Transactions with owners:					
Shares issued	**–**	**0.1**	**–**	**–**	**0.1**
Dividends paid to equity holders (see note 8)	**–**	**–**	**–**	**(14.7)**	**(14.7)**
Purchase of own shares	**–**	**–**	**–**	**(3.4)**	**(3.4)**
Credit in respect of employee share schemes including tax	**–**	**–**	**–**	**2.0**	**2.0**
At 30 June 2012	**54.2**	**98.3**	**33.4**	**286.0**	**471.9**

STATEMENTS OF CASH FLOW

for the 18 months ended 30 June 2012

		Group		Company	
	Note	**18 months ended 30 June 2012 £m**	12 months ended 31 December 2010 £m	**18 months ended 30 June 2012 £m**	12 months ended 31 December 2010 £m
Cash flows from operating activities					
Cash generated from (utilised in) operations	23	**218.2**	119.5	**(4.7)**	–
Interest received		**84.7**	6.6	**–**	–
Interest paid		**(5.6)**	(5.1)	**–**	–
Dividend received from subsidiary undertaking		**–**	–	**–**	77.5
Tax paid		**(31.5)**	(0.8)	**–**	–
Net cash from (used in) operating activities		**265.8**	120.2	**(4.7)**	77.5
Cash flows from investing activities					
Acquisition of businesses including deferred consideration	24	**(0.2)**	(0.1)	**–**	–
Disposal of business	24	**–**	0.9	**–**	–
Purchase of intangible assets		**(10.5)**	(6.8)	**–**	–
Purchase of property, plant and equipment		**(61.0)**	(43.4)	**–**	–
Proceeds from sale of property, plant and equipment		**0.8**	0.1	**–**	–
Net cash used in investing activities		**(70.9)**	(49.3)	**–**	–
Cash flows from financing activities					
Dividends paid to equity holders		**(14.7)**	(8.1)	**(14.7)**	(8.1)
Purchase of own shares		**(3.4)**	–	**(3.4)**	–
Proceeds from issue of shares		**0.1**	–	**0.1**	–
Repayment of Sterling borrowings		**(100.0)**	–	**–**	–
Repayment of syndicated facilities		**(68.1)**	(50.9)	**–**	–
Payment of facility arrangement fees		**(2.7)**	–	**–**	–
Finance lease principal payments		**(3.6)**	(1.0)	**–**	–
Amounts repaid to subsidiaries		**–**	–	**–**	(77.5)
Amounts received from subsidiaries		**–**	–	**22.8**	8.1
Net cash (used in) from financing activities		**(192.4)**	(60.0)	**4.8**	(77.5)
Net increase in cash, cash equivalents and bank overdrafts		**2.5**	10.9	**0.1**	–
Effect of exchange rate changes		**(0.4)**	(0.2)	**–**	–
Cash and cash equivalents at start of period		**67.5**	56.8	**–**	–
Cash and cash equivalents at end of period	25	**69.6**	67.5	**0.1**	–

Details of the Group statement of cash flow for the 12 months ended 30 June 2012 and the 12 months ended 30 June 2011 are provided in the unaudited appendix to the financial statements on pages 140 to 148.

NOTES TO THE FINANCIAL STATEMENTS

1 General information and accounting policies

General information

The Rank Group Plc ('the Company') and its subsidiaries (together 'the Group') operate gaming and betting services in Great Britain (including the Channel Islands), Spain, Belgium and Malta and provide business services to a gaming operator in a number of additional markets.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

On 21 October 2011, the Company changed its accounting reference date to 30 June by extending the current accounting period to 18 months to cover the period from 1 January 2011 to 30 June 2012. The comparative period covers the 12-month period to 31 December 2010. This change brings the Company's accounting reference date into line with its ultimate parent company.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

1.1 Basis of preparation

The consolidated and Company financial statements have been prepared under the historical cost convention.

1.1.1 Statement of compliance

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC Interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS.

1.1.2 Going concern

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the issues impacting the Group during the period as detailed in the directors' report on pages 3 to 55 and have reviewed the Group's projected compliance with its banking covenants detailed within the finance review on page 49. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least the next 12 months and comply with its banking covenants.

1.1.3 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The resulting accounting estimates will, by definition, seldom equal the actual results. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the consolidated financial statements, are set out below.

(a) Estimated impairment of goodwill, intangible assets and property, plant and equipment

The Group tests annually whether assets that have an indefinite useful life, including goodwill and gaming licences, have suffered any impairment. The Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable. Further details of the Group's accounting policy in relation to impairment are disclosed in note 1.14.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs to sell and value in use. Estimates of fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external estate agents or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. Further details of the assumptions and estimates are disclosed in note 12.

(b) Classification of casino and other gaming licences as intangible assets with an indefinite life

As disclosed in note 1.13 certain casino and other gaming licences have been classified as intangible assets with an indefinite life. This assumption is based on management's belief that there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and that each licence holds a value outside the property in which it resides. As a consequence, each licence is reviewed annually for impairment.

(c) Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in note 20.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including jurisdictions of now discontinued operations. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amount recognised, such differences will impact the financial statements in the period such determination is made. Further details of income tax are disclosed in note 17.

(e) Provisions
Provisions are recognised in accordance with the policy disclosed in note 1.11. In calculating onerous property lease provisions, estimates are made of the discounted cash flows associated with the property and its associated operations including sub-let income. Estimates have also been made in determining the amount and timing of disposal provisions, including legacy industrial disease and personal injury claims. Further details of provisions made are disclosed in note 21.

(f) Contingent assets and liabilities
Management is required to apply judgement in assessing the probability of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. This judgement is supported by external advice and precedent case law where appropriate and is continually assessed to ensure that developments are appropriately reflected in the financial statements. Further details of contingent assets are disclosed in note 30 and contingent liabilities are disclosed in note 31.

1.1.4 Changes in accounting policy and disclosures

(a) Standards, amendments and interpretations to existing standards adopted by the Group
The following new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial period beginning 1 January 2011.

- IAS 24 Related Party Disclosures (Amendment)
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
- IFRIC 13 Customer Loyalty Programmes (Determining the fair value of credit awards)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRSs (issued May 2010)

The Group has not been materially impacted by the adoption of any of these standards, amendments or interpretations.

The Group has not early adopted any other standard, amendment or interpretation that was issued but is not yet effective.

(b) Standards, amendments to and interpretations of existing standards that are not yet effective
The following standards, amendments to and interpretations of existing standards have been published and are mandatory for accounting periods beginning on or after 1 July 2012:

- IFRS 9 Financial Instruments: Classification and Measurement – Effective 1 January 2015
- IFRS 7 Financial Instruments: Disclosures (Amendment) – Effective 1 July 2011
- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS7 – Effective 1 January 2013
- IFRS 10 Consolidated Financial Statements – Effective 1 January 2013
- IFRS 11 Joint Arrangements – Effective 1 January 2013
- IFRS 12 Disclosure of Interest in Other Entities – Effective 1 January 2013
- IFRS 13 Fair Value Measurement – Effective 1 January 2013
- IAS 1 Presentation of Items of Other Comprehensive Income (Amendments to IAS1) – Effective 1 July 2012
- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets – Effective 1 July 2012
- IAS 19 Employee Benefits (Revised) – Effective 1 January 2013
- IAS 27 Separate Financial Statements – Effective 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures – Effective 1 January 2013
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities – Amendments to IAS32 – Effective 1 January 2014

It is not anticipated that the adoption of the above standards, amendments and interpretations will have a material impact on the Group or Company financial statements in the period of initial application.

None of these standards, amendments or interpretations has been early adopted by the Group or Company.

1.2 Consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has no material associates or joint ventures.

1 General information and accounting policies *continued*

1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses within exceptional items.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the fair value of the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Identifiable intangible assets are recognised separately from goodwill.

If the aggregate of the acquisition date fair value of the consideration transferred is lower than the fair value of the assets, liabilities and contingent liabilities in the business acquired, the difference is recognised in profit and loss.

1.4 Revenue recognition

Revenue consists of the fair value of sales of goods and services net of VAT, rebates and discounts.

(a) Gaming win

Revenue for casinos includes the gaming win before deduction of gaming duty. Revenue for bingo is net of prizes and VAT (where applicable) before deduction of gross profits tax. Revenue for Rank Interactive, including sports betting and interactive games, represents gaming win. The fair value of free bets, promotions and customer bonuses are also deducted from all revenue streams.

Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS 39 Financial Instruments: Recognition and Measurement.

(b) Food and beverage

Revenue from food and beverage sales is recognised at the point of sale.

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team (the composition of which is disclosed on page 58) that makes strategic and operational decisions.

1.6 Foreign currency translation

The consolidated financial statements are presented in UK Sterling, which is also the Company's functional currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs or income, except when deferred in equity where hedging criteria are met.

(b) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate on the balance sheet date. The closing Euro rate against UK Sterling was 1.24 (2010: 1.17) and the closing US Dollar rate against UK Sterling was 1.56 (2010: 1.57);

(ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The average Euro rate against UK Sterling was 1.15 (2010: 1.17) and the average US Dollar rate against UK Sterling in the period was 1.60 (2010: 1.54); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement, net of hedging, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.7 Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

A financial asset is derecognised when the rights to receive the cash flows from the asset have expired, been transferred or an obligation to pay the cash flows received to a third party without material delay has been assumed, and either:

- Substantially all the risks and rewards of ownership have been transferred; or
- Substantially all the risks and rewards have neither been retained nor transferred, but control has been transferred.

The Group's financial assets include loans and receivables and cash and cash equivalents.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, when the asset is expected to be realised in the normal operating cycle, otherwise they are classified as non-current assets. Loans and receivables are classified as other receivables in the balance sheet.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(b) Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

1.8 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The Group's financial liabilities include trade and other payables, loans and borrowings (including bank overdrafts), and financial guarantee contracts.

(a) Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(b) Loans and borrowings

After initial recognition at fair value, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance costs in the income statement.

(c) Financial guarantee contracts (Company only)

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value by applying the estimated probability of default to the cash outflow should default occur and subsequently amortising over the expected length of the guarantee.

(d) Onerous contracts

Details of the policy in respect of onerous contracts are disclosed in note 1.11.

1 General information and accounting policies *continued*

1.9 Derivative financial instruments and hedging activities

The Group held no derivative financial instruments at either reporting date.

The Group used a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. The gains or losses on the hedging instrument relating to the effective portion of the hedge were recognised as other comprehensive income while any gains or losses relating to the ineffective portion were recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement. Further details are disclosed in note 19.

1.10 Leases

Leases are tested at inception to determine whether the lease is a finance or operating lease and treated accordingly. For leases entered into prior to 1 January 2005, inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4. Property leases comprising a lease of land and a lease of buildings within a single contract are split into their two component parts before testing.

(a) Finance leases

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and borrowings. Finance charges are recognised in the income statement. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments (including any lease incentives or premiums) are recognised as an expense in the income statement on a straight line basis over the lease term.

1.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the best estimate of the expenditures required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognised as a finance cost.

(a) Onerous contracts

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous.

(b) Provision on disposal

Following the disposal of an operation, provision is made for the estimated future costs attributable to the disposal.

(c) Provision for restructuring

Once the Group is committed to the restructuring of an operation, provision is made for the unavoidable future costs associated with the restructuring.

1.12 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on assets using the straight line method to allocate their cost less residual values over their estimated useful lives, as follows:

• freehold and leasehold property	50 years or lease term if less
• refurbishment of property	5 to 20 years
• fixtures, fittings, plant and machinery	3 to 20 years

Land is not depreciated.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

1.13 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at amortised cost as at 1 January 2004 plus cost for any acquisition completed after 1 January 2004 less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, except where goodwill has been previously written off directly to reserves under previous GAAP.

Goodwill is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves.

(b) Casino and other gaming licences and concessions

The Group capitalises acquired casino and other gaming licences and concessions. The amount capitalised is the difference between the price paid for a property or business and the associated licence or concession, and the fair value of a similar property or business without a licence or concession. Management believes that licences, with the exception of the two casino concessions in Belgium, have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

In respect of the two casino concessions in Belgium, their carrying value is amortised over the expected useful life of the concession (nine years).

Any costs in renewing licences or concessions are expensed as incurred.

(c) Other

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to four years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

1.14 Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement immediately.

Any impairment is allocated equally across all assets in a CGU unless there is an indication that a class of assets should be impaired in the first instance or a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets. Casino licences are generally not impaired as they have an indefinite life and a fair market value in excess of their carrying value.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised within exceptional items in the income statement immediately.

1.15 Employee benefit costs

(a) Pension obligations

The Group operates a defined contribution plan under which the Group pays fixed contributions to a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group also has an unfunded pension commitment relating to three former executives of the Group. The amount recognised in the balance sheet in respect of the commitment is the present value of the obligation at the balance sheet date, together with adjustment for actuarial gains or losses. The Group recognises actuarial gains and losses immediately in the statement of comprehensive income. The net cost arising on the commitment is recognised in net finance costs.

1 General information and accounting policies *continued*

(b) Share-based compensation

The cost of equity-settled transactions with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 27.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Share-based compensation – Company

The Company operates share-based payment schemes for employees of the Company and its subsidiaries. The fair value of shares awarded to employees of the Company are recognised as an employee expense with a corresponding increase in equity. The Company also makes awards of its own shares to employees of its subsidiaries and as such recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements with the corresponding credit being recognised directly in equity.

(d) Bonus plans

The Group recognises a liability in respect of the best estimate of bonuses payable where contractually obliged to do so or where a past practice has created a constructive obligation.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in first-out' basis.

The cost of finished goods comprises goods purchased for resale.

Net realisable value is the estimated selling price in the ordinary course of business. When necessary, provision is made for obsolete and slow-moving inventories.

1.17 Taxation

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be paid or to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current tax relating to items recognised directly in equity is recognised in equity and not the income statement.

Management evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation at each reporting date and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.18 Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital (treasury shares as defined by IAS 32), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

1.19 Discontinued operations and held for sale assets

Operations of the Group are recognised as discontinued operations if the operations have been disposed of or meet the criteria to be classified as held for sale and represents a separate major line of business or geographic area of operations. Operations held for sale are held at the lower of their carrying amount on the dates they are classified as held for sale and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.20 Dividends

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the annual general meeting. Interim dividends are recognised when paid.

1.21 Exceptional items

The Group defines exceptional items as those items which, by their size or nature in relation to both the Group or individual segments, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods.

2 Segmental reporting
a) Segment information – operating segments

	Grosvenor Casinos	
	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Continuing operations		
Revenue before adjustment for free bets, promotions and customer bonuses	379.2	238.6
Free bets, promotions and customer bonuses	(2.5)	(1.0)
Segment revenue	**376.7**	237.6
Operating profit (loss) before exceptional items	**63.0**	36.0
Exceptional operating (loss) profit	**(2.5)**	(3.6)
Segment result	**60.5**	32.4
Finance costs		
Finance income		
Other financial losses		
Profit before taxation		
Taxation		
Profit for the period from continuing operations		
Assets and liabilities		
Intangible assets:		
Intangible assets with indefinite useful lives	**76.0**	76.0
Intangible assets with finite useful lives	**5.4**	6.9
Property, plant and equipment	**103.3**	80.7
Other segment assets	**10.7**	9.8
Segment assets	**195.4**	173.4
Unallocated assets:		
Deferred tax assets		
Income tax receivable		
Cash and short-term deposits		
Total assets		
Segment liabilities	**(38.0)**	(38.7)
Unallocated liabilities:		
Income tax payable		
Loans and borrowings		
Deferred tax liabilities		
Total liabilities		
Net assets		
Other segment items – continuing operations		
Capital expenditure	**(43.6)**	(19.4)
Depreciation and amortisation	**21.6**	10.0
Impairment charge (see note 4)	**1.5**	11.2
Impairment reversal (see note 4)	**(0.7)**	–
Net charge from provision for onerous leases (see note 4)	**0.6**	0.3
Share-based payment charge	**–**	0.1

At 30 June 2012, the Group's continuing operations are organised into four main operating segments: Grosvenor Casinos, Mecca Bingo, Rank Interactive and Top Rank España. The activities of the segments are described in the Group overview section of the directors' report. The areas of operation are principally the operation of bingo clubs, casinos and online gaming and bookmaking services. Costs that cannot be allocated on a reasonable basis are combined within Central costs.

There are immaterial sales between the business segments.

Mecca Bingo		Rank Interactive		Top Rank España		Central costs		Total	
18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
359.5	234.5	111.7	57.7	44.1	37.0	–	–	894.5	567.8
(22.1)	(13.7)	(15.0)	(8.6)	–	–	–	–	(39.6)	(23.3)
337.4	220.8	96.7	49.1	44.1	37.0	–	–	854.9	544.5
44.5	29.7	13.2	7.9	1.6	6.8	(27.3)	(18.4)	95.0	62.0
73.9	31.0	(1.8)	–	(15.9)	(1.4)	(5.6)	(12.6)	48.1	13.4
118.4	60.7	11.4	7.9	(14.3)	5.4	(32.9)	(31.0)	143.1	75.4
								(8.5)	(7.5)
								81.9	6.1
								(0.4)	(0.5)
								216.1	73.5
								(52.0)	(24.6)
								164.1	48.9
–	–	53.4	53.4	7.1	20.5	–	–	136.5	149.9
0.5	0.9	8.9	7.7	–	–	2.4	2.0	17.2	17.5
86.9	91.3	1.7	2.1	25.0	27.9	0.9	1.0	217.8	203.0
18.3	13.9	3.8	3.5	2.1	2.4	4.7	2.9	39.6	32.5
105.7	106.1	67.8	66.7	34.2	50.8	8.0	5.9	411.1	402.9
								3.5	22.1
								0.1	0.2
								72.5	74.0
								487.2	499.2
(56.1)	(51.7)	(13.6)	(12.6)	(4.3)	(5.6)	(44.8)	(45.2)	(156.8)	(153.8)
								(70.4)	(64.1)
								(30.9)	(197.5)
								(1.1)	(6.1)
								(259.2)	(421.5)
								228.0	77.7
(20.3)	(22.6)	(9.7)	(6.2)	(5.1)	(1.9)	(2.0)	(1.5)	(80.7)	(51.6)
23.3	13.3	7.0	3.5	3.7	2.7	1.6	0.8	57.2	30.3
1.3	1.5	1.8	–	14.7	–	–	–	19.3	12.7
(3.0)	(3.2)	–	–	–	–	–	–	(3.7)	(3.2)
6.6	0.7	–	–	–	–	1.7	12.5	8.9	13.5
–	–	0.3	0.1	0.1	–	1.3	1.6	1.7	1.8

Segment assets include property, plant and equipment, intangible assets, inventories, held for sale assets and other receivables. Segment liabilities include trade and other payables, provisions and retirement benefit obligations. Intangible assets with indefinite useful lives include £53.4m (31 December 2010: £53.4m) of goodwill relating to Rank Interactive.

Capital expenditure comprises expenditure on property, plant and equipment and other intangible assets, including those acquired under finance leases.

To increase transparency the Group has provided additional disclosure analysis for the 12 months to 30 June 2012 and the 12 months to 30 June 2011 in the unaudited appendix to the financial statements on pages 140 to 148.

2 Segmental reporting *continued*

b) Segment information – geographical information

The Group operates in two main geographical areas (UK and Continental Europe).

i) Segment revenue from external customers by geographical area based on location of customer

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
UK	787.2	491.3
Continental Europe	67.7	53.2
Total revenue	854.9	544.5

ii) Segment non-current assets by geographical area based on location of assets

	As at 30 June 2012 £m	As at 31 December 2010 £m
UK	334.6	313.9
Continental Europe	40.8	58.6
Segment non-current assets	375.4	372.5
Unallocated assets:		
Deferred tax assets	3.5	22.1
Total non-current assets	378.9	394.6

With the exception of the UK no individual country contributed more than 10% of consolidated sales or assets.

c) Total revenue and profit from continuing and discontinued operations

		Revenue		Profit	
	Note	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
From continuing operations		854.9	544.5	164.1	48.9
From discontinued operations	4	–	–	3.4	4.3
		854.9	544.5	167.5	53.2

d) Total cost analysis by segment

The directors are of the opinion that a cost analysis for the 18 months to 30 June 2012 and the 12 months to 31 December 2010 would not provide meaningful information to the users of the financial statements. However, to increase transparency the Group has provided additional disclosure analysing total costs by type and segment for the 12 months to 30 June 2012 and the 12 months to 30 June 2011 in the unaudited appendix to the financial statements on pages 140 to 148.

3 Profit for the period – analysis by nature

The following items have been charged (credited) in arriving at the profit for the period before financing and taxation from continuing operations:

	Note	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Employee benefit expense	26	**270.6**	179.8
Cost of inventories recognised as expense		**32.9**	19.4
Amortisation of intangibles (including £1.2m (2010: £0.8m) within cost of sales)	10	**8.8**	3.8
Depreciation of property, plant and equipment	11		
– owned assets (including £41.3m (2010: £21.1m) within cost of sales)		**44.5**	25.6
– under finance leases (included within cost of sales)		**3.9**	0.9
Operating lease rentals payable			
– minimum lease payments		**64.8**	44.5
– sub-lease income		**(6.5)**	(4.7)
Loss on sale of property, plant and equipment		**–**	0.1
Exceptional operating costs	4	**36.8**	25.1
Exceptional operating income	4	**(84.9)**	(38.5)
Auditors' remuneration for audit services		**0.4**	0.3

In the period, the Group's auditors, Ernst & Young LLP, including its network firms, earned the following fees:

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Audit services		
– Fees payable to the Company's auditor for the parent company and consolidated financial statements	**0.2**	0.1
Other services		
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
– tax services	**0.3**	0.1
– transaction support services	**0.5**	–
– other services	**0.1**	0.1
	1.3	0.5

£22,000 (2010: £20,000) of the audit fees related to the parent company.

It is the Group's policy to balance the need to maintain auditor independence with the benefit of taking advice from the leading firm in the area of advice being taken and the desirability of being efficient.

4 Exceptional items

	Note	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Exceptional items relating to continuing operations			
Impairment charges	10,11,12	**(19.3)**	(12.7)
Impairment reversals	11,12	**3.7**	3.2
Charge to provision for onerous leases	21	**(4.7)**	(15.9)
Release from provision for onerous leases	21	**0.6**	4.3
Change in discount rate for onerous leases	21	**(4.8)**	(1.9)
VAT agreement cost		**–**	(4.6)
VAT partial exemption accrual release		**–**	4.5
Bid response costs		**(4.3)**	–
Transaction costs		**(5.0)**	–
Restructuring costs		**(3.0)**	(2.0)
Exceptional operating costs		**(36.8)**	(25.1)
VAT refunds net of gross profits tax and associated costs		**84.9**	38.5
Exceptional operating income		**84.9**	38.5
Finance income	5	**81.0**	5.6
Taxation	6	**(26.5)**	(8.3)
Exceptional items relating to continuing operations		**102.6**	10.7
Exceptional items relating to discontinued operations			
Additional profit arising on previously disposed subsidiary undertakings		**2.2**	0.6
Change in discount rates for disposal provisions	21	**(0.3)**	–
Finance income		**2.7**	0.4
Taxation	6	**(1.2)**	3.3
Exceptional items relating to discontinued operations		**3.4**	4.3
Total exceptional items		**106.0**	15.0

18 month period ended 30 June 2012 exceptional items
Continuing operations
Impairment charges
Following the introduction of a full smoking ban at the start of the period and the difficult economic conditions in Spain, an impairment charge of £14.7m has been recognised. It is possible that further impairment charges may be required if the future performance of individual bingo clubs is not in line with expectations.

The Group also recognised an impairment charge of £2.8m in the UK, of which £1.5m relates to Grosvenor Casinos and £1.3m to Mecca Bingo. The only individually significant charge of £0.8m was in respect of the E-casino in Liverpool. The club has not performed in line with expectations and closed on 15 February 2012.

Rank Interactive's investment in the development of its online Spanish gaming brand has been fully impaired by £1.8m as legislation has not developed as anticipated.

Impairment reversals

The Group has reversed previous impairment charges of £3.7m, of which £3.0m relates to Mecca Bingo and £0.7m to Grosvenor Casinos. The reversal in Mecca Bingo is in respect of five clubs where performance has seen a sustained improvement following conversion to the Full House concept or competitor closure and the reclassification of one freehold property to held for sale assets at its fair value less costs to sell (see note 11). The reversal in Grosvenor Casinos follows the successful conversion of one casino to the G-Casino concept.

Onerous leases

The Group recognised a total charge of £9.5m in relation to provision for onerous leases in the period. This includes a charge of £4.8m as a consequence of a reduction in the discount rate used on existing provisions.

The total charge also includes £2.2m in respect of unavoidable rental payments resulting from the restructuring activities outlined below.

A further £1.2m has been recognised in respect of one Mecca Bingo club where expected income no longer exceeds the unavoidable costs, and the remainder of £1.3m is in respect of sites in which there has been a reduction in expected sub-let income as a consequence of the financial position of the associated tenants.

The Group has also released £0.6m in relation to Grosvenor Casinos following the favourable settlement of a number of lease obligations arising from previously closed clubs.

Bid response costs

During the period, the Group recognised an exceptional cost of £4.3m relating to the professional fees and other related costs for the response to the Guoco Group Limited offer for the shares of the Company (see also note 32).

Transaction costs

On 12 May 2012, the Group announced it had conditionally agreed to acquire Gala Casinos from Gala Coral Group Limited for a total cash consideration of £205.0m. The Group has recognised the costs of the proposed acquisition committed at 30 June 2012 of £5.0m as an exceptional cost. Further costs relating to the proposed acquisition, committed after 30 June 2012, will be recognised as an exceptional cost in the next financial year.

Restructuring costs

During the period, the Group recognised an exceptional cost of £3.0m relating to the closure of six Mecca Bingo clubs, three Grosvenor casinos and continued restructuring of Top Rank España. The cost includes the creation of restructuring provisions of £0.9m.

VAT refunds net of associated costs

During the period, the Group received £88.1m in overpaid VAT from HMRC, together with associated interest of £81.0m. The repayment covers VAT paid on games of interval and main stage bingo (between 1973 and 1996), main stage bingo (between 2003 and 2004) and on the disposal of the Group's defined benefit pension scheme in 2008. The interval and main stage bingo repayments followed successive rulings in the Group's favour in both the First-tier Tribunal and Upper Tribunal (or High Court). HMRC appealed these decisions and as a result the case was referred to the European Court of Justice ('ECJ'). On 10 November 2011, the ECJ released its findings on the Group's VAT case on fiscal neutrality. The Group and HMRC have agreed that the ECJ found in favour of the Group on its bingo claims. The ECJ also ruled on the Group's amusement machines claim relating to a claim for overpaid VAT on amusement machines. The ECJ's decision on the amusement machines claim was not conclusive and was therefore referred back to the UK courts. Further details of the exceptional gain arising on the VAT repayments are disclosed in the table below:

	Main stage bingo 2003 to 2004 £m	Interval and main stage bingo 1973 to 1996 £m	VAT on pensions £m	Total £m
Cash repayment received	7.1	74.8	6.2	88.1
Costs, including contingent fees, irrecoverable VAT and related bonuses	(0.6)	(1.8)	(0.8)	(3.2)
Exceptional gain before financing and taxation	6.5	73.0	5.4	84.9
Finance income	1.4	79.5	0.1	81.0
Taxation	(2.0)	(33.0)	–	(35.0)
Total exceptional gain on VAT refund	5.9	119.5	5.5	130.9

4 Exceptional items *continued*

Discontinued operations

Additional net profit arising on previously disposed subsidiary undertakings

During the period, the Group also recognised an exceptional profit of £2.2m, together with associated interest of £2.7m, following the successful outcome of certain VAT claims relating to previously disposed subsidiary undertakings. In addition a charge of £0.3m has been recognised in respect of the reduction in discount rate used on provisions connected with previously disposed subsidiary undertakings.

12 months ended 31 December 2010 exceptional items
Continuing operations

Impairment charges

The Group recognised an impairment charge of £1.5m against one vacant freehold property following an external market valuation of the Group's freehold properties.

The Group also recognised an impairment charge of £11.2m against the carrying value of its two casino concessions in Belgium. The impairment charge was recognised due to a reduction in the expected useful life of the concessions following a change in the anticipated process for concession renewal in Belgium.

Impairment reversals

The Group reversed previous impairment charges of £3.2m in relation to seven Mecca Bingo clubs primarily where performance has seen a sustained improvement from the adverse impact of the smoking bans in the UK and the loss of section 21 gaming terminals in 2007.

Onerous leases

The Group recognised an additional charge of £17.8m in relation to the provision for onerous property leases. This included a charge of £15.9m primarily in relation to vacant sites following a reduction in the expected sub-let income. These sites have proved increasingly difficult to sub-let and a number of tenants have gone into liquidation or have difficulty in paying their rents. The reduction in the discount rate used in the calculation of the onerous lease provisions also resulted in a £1.9m charge.

The Group also released £4.3m in relation to two Mecca Bingo leases where the discounted cash flows derived from the property are now expected to exceed the unavoidable lease costs.

VAT agreement cost

In September 2010, the Group entered into an agreement with a third party that would have resulted in the receipt of £40.5m in the event that the ECJ had found in favour of HMRC on the interval bingo claim. This agreement was funded by a payment of £4.6m which was recognised as an exceptional cost.

VAT partial exemption accrual release

The Group has been in negotiation with HMRC for several years on the means by which it calculates the amount of irrecoverable VAT in Grosvenor Casinos. Since July 2007, the Group had accounted for irrecoverable VAT on the basis that HMRC were correct. As a result, the amount of irrecoverable VAT suffered by Grosvenor Casinos exceeded the amount that the Group believed was due. The point of dispute between the Group and HMRC was the subject of litigation by another, similar, taxpayer. In that case, the Court of Appeal ruled that HMRC's position was incorrect. This was the latest in a string of appeals on this point. Precedent case law indicates that the Group's position is correct and on that basis the irrecoverable VAT accrual was reduced by £4.5m. In the event this was not the case, the Group would have to pay the VAT in dispute. See note 31 for further details.

Restructuring costs

The Group recognised an exceptional pre tax loss of £2.0m following the restructuring of the Top Rank España business and closure of the Grosvenor Casino at Hove.

VAT refund net of gross profits tax and associated costs

On 21 May 2010, the Group received £42.5m in overpaid VAT from HMRC. The repayment covered VAT paid on games of main stage bingo (between 2004 and 2009) and amusement machines (between 2002 and 2005). On 7 June 2010, the Group received £5.6m of interest in respect of the repayment. The repayment followed successive rulings in the Group's favour in both the First-tier Tribunal's tax chamber (formerly the VAT and Duties Tribunal) and the Upper Tribunal. HMRC appealed these rulings to the ECJ. On 10 November 2011, the ECJ released its findings on the Group's VAT case on fiscal neutrality. The Group and HMRC have agreed that the ECJ found in favour of the Group on its bingo claims. The ECJ also ruled on the Group's amusement machines claim relating to a claim for overpaid VAT on amusement machines. The ECJ's decision on the amusement machines claim was not conclusive and was therefore referred back to the UK courts. Further details of the exceptional gain arising on the VAT refunded are disclosed in the table below:

	Main stage bingo £m	Amusement machines £m	Total £m
Cash repayment received	16.1	26.4	42.5
Increase in gross profits tax payable	(2.5)	–	(2.5)
Costs, including contingent fees, irrecoverable VAT	(0.8)	(0.3)	(1.1)
Irrecoverable input VAT	(0.3)	(0.1)	(0.4)
Exceptional gain before financing and taxation	12.5	26.0	38.5
Finance income	1.2	4.4	5.6
Taxation	(3.8)	(8.6)	(12.4)
Total exceptional gain on VAT refund	9.9	21.8	31.7

Discontinued operations

Additional profit arising on previously disposed subsidiary

The Group also recognised an exceptional profit of £0.6m, together with associated interest of £0.4m, following the successful outcome of certain VAT claims relating to a previously disposed subsidiary.

Taxation

Details of exceptional taxation are disclosed in note 6.

Details of exceptional items for the 12 months to 30 June 2012 and the 12 months to 30 June 2011 are provided in the unaudited appendix to the financial statements on pages 140 to 148.

5 Financing

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Continuing operations:		
Finance costs:		
Interest on debt and borrowings[1]	**(4.0)**	(4.3)
Amortisation of issue costs on borrowings	**(0.4)**	(0.9)
Interest payable on finance leases	**(1.6)**	(0.9)
Unwinding of discount in onerous leases provisions	**(2.1)**	(1.2)
Unwinding of discount in disposal provisions	**(0.4)**	(0.2)
Total finance costs	**(8.5)**	(7.5)
Finance income:		
Interest income on short term bank deposits[1]	**0.9**	0.5
Finance income	**0.9**	0.5
Other financial losses	**(0.4)**	(0.5)
Total net financing cost for continuing operations before exceptional items	**(8.0)**	(7.5)
Exceptional finance income	**81.0**	5.6
Total net financing income (cost) for continuing operations	**73.0**	(1.9)

1 Calculated using the effective interest method.

Further details of the exceptional finance income are disclosed in note 4.

A reconciliation of total net financing costs to adjusted net interest included in adjusted profit is disclosed below:

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Total net financing cost for continuing operations before exceptional items	**(8.0)**	(7.5)
Adjust for:		
Unwinding of discount in disposal provisions	**0.4**	0.2
Other financial losses – including foreign exchange	**0.4**	0.5
Adjusted net interest payable	**(7.2)**	(6.8)

Details of financing for the 12 months to 30 June 2012 and the 12 months to 30 June 2011 are provided in the unaudited appendix to the financial statements on pages 140 to 148.

6 Taxation

	18 months ended 30 June 2012			12 months ended 31 December 2010		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Current income tax						
Current income tax – UK	**(5.8)**	**–**	**(5.8)**	(13.1)	–	(13.1)
Current income tax – overseas	**(0.8)**	**–**	**(0.8)**	(1.8)	–	(1.8)
Current income tax charge	**(6.6)**	**–**	**(6.6)**	(14.9)	–	(14.9)
Current income tax on exceptional items	**(38.5)**	**(1.1)**	**(39.6)**	(8.0)	–	(8.0)
Amounts under provided in previous period	**–**	**–**	**–**	(0.3)	–	(0.3)
Amounts over (under) provided in previous period on exceptional items	**7.0**	**(0.1)**	**6.9**	–	2.8	2.8
Total current income tax (charge) credit	**(38.1)**	**(1.2)**	**(39.3)**	(23.2)	2.8	(20.4)
Deferred tax						
Deferred tax – UK	**(18.1)**	**–**	**(18.1)**	(1.6)	–	(1.6)
Deferred tax – overseas	**0.1**	**–**	**0.1**	(0.2)	–	(0.2)
Restatement of deferred tax from 27.0% to 24.0%	**(1.1)**	**–**	**(1.1)**	(0.8)	–	(0.8)
Deferred tax on exceptional items	**5.0**	**–**	**5.0**	(0.3)	–	(0.3)
Amounts over provided in previous period	**0.2**	**–**	**0.2**	1.5	–	1.5
Amounts over provided in previous period on exceptional items	**–**		**–**	–	0.5	0.5
Total deferred tax (charge) credit (note 20)	**(13.9)**	**–**	**(13.9)**	(1.4)	0.5	(0.9)
Tax (charge) credit in the income statement	**(52.0)**	**(1.2)**	**(53.2)**	(24.6)	3.3	(21.3)

The tax on the Group's profit before taxation on continuing operations differs from the standard rate of UK corporation tax in the period of 26.0% (2010: 28.0%). The differences are explained below:

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Profit before taxation on continuing operations	**216.1**	73.5
Tax charge calculated at 26.0% on profit before taxation on continuing operations (2010: 28.0%)	**(56.2)**	(20.6)
Effects of:		
Expenses not deductible for tax purposes	**(2.4)**	(5.0)
Difference in overseas tax rates	**0.3**	0.6
Restatement of deferred tax from 27.0% to 24.0%	**(1.1)**	(0.8)
Adjustments relating to prior periods	**7.2**	1.2
Utilisation of previously unrecognised tax losses	**0.2**	–
Tax charge in the income statement on continuing operations	**(52.0)**	(24.6)

6 Taxation *continued*

Tax on exceptional items – continuing operations

The taxation impacts of exceptional items are disclosed below:

	18 months ended 30 June 2012			12 months ended 31 December 2010		
	Current income tax £m	Deferred tax £m	Total £m	Current income tax £m	Deferred tax £m	Total £m
Impairment charges	–	4.5	4.5	–	–	–
Impairment reversals	(0.1)	(0.1)	(0.2)	–	(0.3)	(0.3)
Charge to provision for onerous leases	1.3	–	1.3	4.5	–	4.5
Release from provision for onerous leases	(0.1)	–	(0.1)	(1.2)	–	(1.2)
Change in discount rates for onerous leases	1.2	–	1.2	0.5	–	0.5
VAT agreement cost	–	–	–	1.3	–	1.3
VAT partial exemption accrual release	–	–	–	(1.3)	–	(1.3)
Bid response costs	–	–	–	–	–	–
Transaction costs	–	–	–	–	–	–
Restructuring costs	1.2	0.6	1.8	0.6	–	0.6
VAT refund net of gross profits tax and associated costs	(35.0)	–	(35.0)	(12.4)	–	(12.4)
Tax (charge) credit on exceptional items – continuing operations	(31.5)	5.0	(26.5)	(8.0)	(0.3)	(8.3)

Tax on exceptional items – discontinued operations

The current income tax charge on discontinued exceptional items in the 18 months ended 30 June 2012 of £1.2m primarily relates to tax payable on VAT refunds.

The deferred tax credit on discontinued exceptional items in the 12 months ended 31 December 2010 of £2.8m included a £0.8m US tax refund and £2.0m arising from the reassessment of potential tax liabilities that are attributable to disposed entities.

Tax effect of items within other comprehensive income

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Current income tax credit on exchange movements offset in reserves	0.6	–
Deferred tax charge on exchange movements offset in reserves	–	(0.5)
Deferred tax credit on actuarial movement on retirement benefits	0.1	–
Total tax credit (charge) on items within other comprehensive income	0.7	(0.5)

The credit in respect of employee share schemes included within the Statement of Changes in Equity includes a deferred tax credit of £0.2m (2010: £Nil) and a current tax credit of £0.7m (2010: £Nil).

Factors affecting future taxation

UK corporation tax is calculated at 26% (2010: 28%) of the estimated assessable profit for the period. Taxation for overseas operations is calculated at the local prevailing rates.

On 23 March 2012, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. This change was enacted on 26 March 2012 under the Provisional Collection of Taxes Act 1968. The effect of the rate reduction creates a reduction in the net deferred tax asset which has been included in the figures above.

On 23 March 2012, the Chancellor of the Exchequer also announced the reduction in the main rate of UK corporation tax to 23% for the year starting 1 April 2013 and a further 1% reduction to 22% in April 2014. This change was substantively enacted in July 2012.

The proposed rate reductions will reduce the amount of cash tax payments to be made by the Group. Overall the reduction in the corporate tax rate from 24% to 22% is expected to reduce the Group's net deferred tax asset by approximately £0.3m.

7 Results attributable to the parent company

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement. The profit for the 18 months ended 30 June 2012 for the Company was £123.5m (12 months ended 31 December 2010: £54.2m). The profit includes an impairment reversal of £157.5m (2010: £Nil) in respect of its investment in subsidiary undertakings. Further details are provided in note 13.

8 Dividends

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Dividends paid to equity holders		
Final for 2009 paid on 5 May 2010 – 1.35p per share	–	5.3
Interim for 2010 paid on 10 September 2010 – 0.74p per share	–	2.9
Final for 2010 paid on 4 May 2011 – 1.66p per share	6.5	–
1st Interim for 2011-12 paid on 12 September 2011 – 1.00p per share	3.9	–
2nd Interim for 2011-12 paid on 29 March 2012 – 1.10p per share	4.3	–
Refund of unclaimed dividends	–	(0.1)
	14.7	8.1

A dividend in respect of the 18 months ended 30 June 2012 of 2.50p per share, amounting to a total dividend of £9.8m, is to be recommended at the annual general meeting on 19 October 2012. These financial statements do not reflect this dividend payable.

9 Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares, as defined by IAS 32 (see note 22).

	18 months ended 30 June 2012			12 months ended 31 December 2010		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Profit attributable to equity shareholders						
Continuing operations	£61.5m	£102.6m	£164.1m	£38.2m	£10.7m	£48.9m
Discontinued operations	–	£3.4m	£3.4m	–	£4.3m	£4.3m
Total	£61.5m	£106.0m	£167.5m	£38.2m	£15.0m	£53.2m
Weighted average number of ordinary shares in issue	390.3m	390.3m	390.3m	389.5m	389.5m	389.5m
Basic earnings per share						
Continuing operations	15.8p	26.3p	42.1p	9.8p	2.8p	12.6p
Discontinued operations	–	0.9p	0.9p	–	1.1p	1.1p
Total	15.8p	27.2p	43.0p	9.8p	3.9p	13.7p

9 Earnings per share *continued*

b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The only category of dilutive potential ordinary shares are share options. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options.

There is no difference in the profit used to determine diluted earnings per share from that used to determine basic earnings per share. The potential dilutive impact of share options on the weighted average number of ordinary shares in issue and diluted earnings per share is shown below.

	18 months ended 30 June 2012			12 months ended 31 December 2010		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Weighted average number of ordinary shares in issue	**390.3m**	**390.3m**	**390.3m**	389.5m	389.5m	389.5m
Dilutive potential ordinary shares	**0.2m**	**0.2m**	**0.2m**	2.1m	2.1m	2.1m
	390.5m	**390.5m**	**390.5m**	391.6m	391.6m	391.6m
Diluted earnings per share						
Continuing operations	**15.7p**	**26.3p**	**42.0p**	9.8p	2.7p	12.5p
Discontinued operations	**–**	**0.9p**	**0.9p**	–	1.1p	1.1p
Total	**15.7p**	**27.2p**	**42.9p**	9.8p	3.8p	13.6p

c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

Adjusted net earnings attributable to equity shareholders is derived as follows:

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Profit attributable to equity shareholders	**167.5**	53.2
Adjust for:		
Discontinued operations (net of taxation)	**(3.4)**	(4.3)
Exceptional items after tax on continuing operations	**(102.6)**	(10.7)
Other financial losses	**0.4**	0.5
Unwinding of discount in disposal provisions	**0.4**	0.2
Taxation on adjusted items and impact of reduction in tax rate to 24.0% (2010: 27.0%)	**1.0**	1.0
Adjusted net earnings attributable to equity shareholders (£m)	**63.3**	39.9
Adjusted earnings per share (p) – basic	**16.2p**	10.2p
Adjusted earnings per share (p) – diluted	**16.2p**	10.2p

Details of adjusted earnings per share for the 12 months to 30 June 2012 and the 12 months to 30 June 2011 are provided in the unaudited appendix to the financial statements on pages 140 to 148.

10 Intangible assets

Group	Rank Interactive goodwill £m	Casino and other gaming licences and concessions £m	Other £m	Total £m
Cost				
At 1 January 2010	53.8	124.4	36.2	214.4
Exchange adjustments	–	(1.7)	–	(1.7)
Disposal of business	(0.4)	–	(1.0)	(1.4)
Disposals	–	–	(2.6)	(2.6)
Additions	–	–	6.8	6.8
At 31 December 2010	53.4	122.7	39.4	215.5
Exchange adjustments	**–**	**(2.7)**	**–**	**(2.7)**
Disposals	**–**	**–**	**(0.1)**	**(0.1)**
Additions	**–**	**–**	**10.5**	**10.5**
At 30 June 2012	**53.4**	**120.0**	**49.8**	**223.2**
Aggregate amortisation and impairment				
At 1 January 2010	–	8.8	27.6	36.4
Exchange adjustments	–	(0.3)	–	(0.3)
Disposal of business	–	–	(0.4)	(0.4)
Charge for the year	–	–	3.8	3.8
Disposals	–	–	(2.6)	(2.6)
Impairment charges	–	11.2	–	11.2
At 31 December 2010	–	19.7	28.4	48.1
Exchange adjustments	**–**	**(2.2)**	**–**	**(2.2)**
Charge for the period	**–**	**1.1**	**7.7**	**8.8**
Disposals	**–**	**–**	**(0.1)**	**(0.1)**
Impairment charges	**–**	**13.1**	**1.8**	**14.9**
At 30 June 2012	**–**	**31.7**	**37.8**	**69.5**
Net book value at 31 December 2009	53.8	115.6	8.6	178.0
Net book value at 31 December 2010	53.4	103.0	11.0	167.4
Net book value at 30 June 2012	**53.4**	**88.3**	**12.0**	**153.7**

Other intangible assets comprise other licences, computer software and development technology and customer lists. These include internally generated computer software and development technology with a net book value of £3.8m (2010: £2.2m).

Indefinite life intangible assets have been reviewed for impairment as set out in note 12.

11 Property, plant and equipment

Group	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Total £m
Cost			
At 1 January 2010	134.1	357.1	491.2
Exchange adjustments	(0.4)	(1.9)	(2.3)
Additions	2.5	39.5	42.0
Disposals	(0.4)	(2.0)	(2.4)
At 31 December 2010	135.8	392.7	528.5
Exchange adjustments	**(0.8)**	**(3.4)**	**(4.2)**
Additions	**3.5**	**65.7**	**69.2**
Disposals	**(3.4)**	**(15.0)**	**(18.4)**
Transfer to assets held for sale	**(3.9)**	**–**	**(3.9)**
At 30 June 2012	**131.2**	**440.0**	**571.2**
Accumulated depreciation and impairment			
At 1 January 2010	70.6	233.1	303.7
Exchange adjustments	–	(1.1)	(1.1)
Charge for the year	3.0	23.5	26.5
Impairment charges	1.5	–	1.5
Impairment reversals	(2.0)	(1.2)	(3.2)
Disposals	(0.2)	(1.7)	(1.9)
At 31 December 2010	72.9	252.6	325.5
Exchange adjustments	**(0.1)**	**(2.2)**	**(2.3)**
Charge for the period	**4.8**	**43.6**	**48.4**
Impairment charges	**1.1**	**3.3**	**4.4**
Impairment reversals	**(1.7)**	**(2.0)**	**(3.7)**
Disposals	**(2.8)**	**(14.1)**	**(16.9)**
Transfer to assets held for sale	**(2.0)**	**–**	**(2.0)**
At 30 June 2012	**72.2**	**281.2**	**353.4**
Net book value at 31 December 2009	63.5	124.0	187.5
Net book value at 31 December 2010	62.9	140.1	203.0
Net book value at 30 June 2012	**59.0**	**158.8**	**217.8**

Finance leases

The net book value of property, plant and equipment held under finance leases was:

	As at 30 June 2012 £m	As at 31 December 2010 £m
Land and buildings	**6.1**	7.1
Fixtures, fittings, plant and machinery	**7.5**	1.2
Net book value at end of period	**13.6**	8.3

There were £9.2m (2010: £1.4m) of additions under finance leases during the period.

Borrowing costs
There were no qualifying assets in either period and therefore no borrowing costs have been capitalised in either period.

Assets under construction
There were no material assets under construction at either reporting date.

Held for sale assets

	As at 30 June 2012 £m	As at 31 December 2010 £m
Land and buildings	1.9	–

Assets held for sale comprise a single freehold property in respect of a closed club within Mecca Bingo. An impairment reversal of £0.4m has been recognised within exceptional items in respect of this property. It is expected that this property will be sold for its carrying value within 12 months of the balance sheet date.

12 Impairment review
The pre-tax discount rate applied to all cash flow projections is 11.0% (2010: 11.0%). The discount rate calculation is based on the specific circumstances of the Group and its cash generating units and is derived from its weighted average cost of capital. Management believes that the discount rate is appropriate for each cash-generating unit (CGU) as they operate in gaming markets with similar risks as set out below. As the Group operates in the UK, Spain and Belgium, country risk has been recognised in the cash flow forecasts, rather than adjusting the discount rate.

a) Impairment review of goodwill and intangible assets with indefinite lives
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. In accordance with IAS 36, goodwill is reviewed annually for impairment. In addition, the Group classifies casino licences (with the exception of its concessions in Belgium) and Spanish bingo licences as intangible assets with an indefinite life.

i) Goodwill
At 30 June 2012, the Group has goodwill with a carrying value of £53.4m (2010: £53.4m) arising from the acquisition of Rank Interactive.

For impairment testing, the whole of Rank Interactive is treated as a single CGU. The recoverable amount has been determined based on a value in use calculation using 20 year cash flow projections based on the Group's budget for 2012-13, the Group's strategic plan for the following two years and a growth rate of 2.0% (2010: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are settled stakes, gaming win margins, gaming duty and the discount rate. Settled stakes represent monies placed by customers for betting and interactive games and are estimated taking into account the product mix, major sporting events and industry developments. Gaming win margins are based on values achieved in the past and amended for any anticipated changes in the budget period. Gaming duty is based upon statutory rates enacted at the balance sheet date. The calculation also assumes that revenue from UK domiciled customers is not subject to UK duty or VAT until the introduction of remote gaming duty on a place of consumption basis in December 2014.

12 Impairment review *continued*

As a result of the impairment testing, the directors do not believe that the carrying value of the goodwill was impaired as the value in use significantly exceeded the carrying value of goodwill. The key factors which impact the calculation of the carrying value include:

Key factors	Key assumption impacted
Increased or improved competition	Settled stakes, Gaming win margin
Poor or decreased marketing	Settled stakes
Failure to respond to technological advances	Settled stakes
Deterioration in economic environment	Settled stakes
Changes in regulation	Settled stakes, Gaming win margin
Changes in taxation	Gaming duty
Prolonged period of adverse sporting results	Gaming win margin

Changes in settled stakes and gaming win margin impact gaming win and consequently the cash flow projections used to determine the recoverable amount. The directors do not consider that there is a reasonably possible change that would lead to an impairment.

ii) Casino licences

The carrying value of indefinite life casino licences as at 30 June 2012 was £76.0m (31 December 2010: £76.0m).

The inherent value of casino licences are deemed to be an intrinsic part of the value of the operation of casinos as a whole and is therefore not split out from each Grosvenor casino in an impairment review. Each Grosvenor casino has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections, over the length of the associated lease or 50 years for freehold properties, based on the Group's budget for 2012-13, the Group's strategic plan for the following two years and a growth rate of 2.0% (2010: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions or, where applicable, offers received.

The key assumptions in the calculation of value in use are customer visits, spend per visit, casino duty, and the discount rate. Customer visits are the number of discrete visits by members to the casino and have been based on historic trends. Spend per visit comprises the average amount of money (net of winnings) spent per visit on gaming tables, machines and food and beverages. This has also been determined by historic trends. Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation, details of which are provided on page 55.

As a result of the impairment review, the directors do not believe the carrying value of the UK casino licences to be impaired. However, there are possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are:

Key factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Casino duty

With the exception of a prolonged non-operation of a UK casino licence arising from one or more of the possible changes outlined above, the directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a material impairment of a UK casino licence.

In the prior period the treatment of the two casino concessions in Belgium was modified. The Group previously treated the concessions as intangible assets with indefinite lives. However, following a re-evaluation of the anticipated process for concession renewal in Belgium, expected useful lives and the associated cash flows the directors no longer considered this was appropriate. This resulted in an impairment charge of £11.2m in the prior period. The remaining carrying value is being amortised over the expected useful life of nine years.

iii) Spanish bingo licences

The carrying value of Spanish bingo licences as at 30 June 2012 was £7.1m (31 December 2010: £20.5m).

The inherent value of each Spanish bingo licence is deemed to be an intrinsic part of the value of a club as a whole and is not therefore split out from the assets of each individual bingo club in an impairment review. Each individual bingo club has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Spanish bingo club, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use calculation has been determined using cash flow projections, over the length of the associated lease or 50 years in the case of freehold properties, based on the Group's budget for 2012-13, the Group's strategic plan for the following two years and a growth rate of 2.0% (2010: 3.0%) thereafter. The projections include the expected recovery from the short-term impacts of the full smoking ban implemented on 2 January 2011.

The key assumptions in the calculation of value in use are customer visits, spend per visit, bingo tax and the discount rate. Customer visits are the number of discrete visits to the bingo club and have been based on recent trends. Spend per visit comprises the average amount of money (net of winnings) spent by a member on bingo games, machines and food and beverages. This has been determined by recent trends. Bingo tax is based upon statutory rates enacted at the balance sheet date.

As a result of the impairment review, impairment charges of £13.1m have been recognised against the value in use of five bingo licences reflecting the significant impact of the full smoking ban, and difficult economic conditions in Spain. However, there are possible changes in the key assumptions that could cause further impairments. These are:

Key factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Bingo tax

As outlined above, each Spanish bingo licence has been tested for impairment as part of the club as a whole. Accordingly, the sensitivity of each licence to future impairments, arising from changes in the key assumptions, varies at each club. For the clubs previously impaired, a one percentage point reduction in expected future net income would generate an incremental impairment of £0.2m.

b) Impairment review of property, plant and equipment

Property, plant and equipment and intangible assets are grouped into CGUs which are defined as individual clubs for Mecca Bingo, Top Rank España and Grosvenor Casinos and the whole operation for Rank Interactive.

The key assumptions and sensitivities in the impairment reviews for Rank Interactive, Casinos and Bingo are the same as outlined above for intangible assets.

The recoverable amount of each CGU, including the licence if applicable, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2012-13, the Group's strategic plan for the following two years and a growth rate of 2.0% (2010: 2.0% except for Top Rank España where a growth rate of 3.0% was used) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by an experienced surveyor supported by external estate agent advice or, where applicable, offers received.

c) Impairment recognised during the period

Impairments of intangible assets and property, plant and equipment are recognised as an exceptional item in operating costs in the income statement. The impairments recognised during the period were as follows:

2011-12

Mecca Bingo

The Group recognised an impairment charge of £1.3m in the period. No charge in respect of any individual bingo club is individually significant.

The Group also reversed previous impairments of £3.0m in respect of five clubs where performance has seen a sustained improvement following conversion to the Full House concept or competitor closure, and the reclassification of one further freehold property to held for sale assets at its fair value less costs to sell (see note 11).

12 Impairment review *continued*

Grosvenor Casinos
The Group recognised an impairment charge in the period of £1.5m. The only individually significant charge was £0.8m in respect of the E-casino in Liverpool which closed in early 2012.

The Group also reversed previous impairment charges of £0.7m in respect of the casino in Cardiff where performance has seen a sustained improvement following the successful conversion to the G-Casino concept.

Top Rank España
Following the introduction of a full smoking ban at the start of the period and the difficult economic conditions in Spain a cumulative impairment charge of £14.7m has been recognised.

Rank Interactive
Rank Interactive's investment in the development of its proposed online Spanish gaming brand has been fully impaired by £1.8m as legislation has not developed as anticipated.

2010

Mecca Bingo
The Group recognised an impairment charge of £1.5m against one vacant Mecca Bingo freehold property following an external market valuation of the Group's freehold properties.

The Group also reversed previous impairment charges of £3.2m in relation to seven Mecca Bingo clubs primarily where performance has seen a sustained improvement from the adverse impact of the smoking bans in the UK and the loss of section 21 gaming terminals in 2007.

Grosvenor Casinos
The Group recognised an impairment charge of £11.2m against the carrying value of its two casino concessions in Belgium. The impairment charge was recognised due to a reduction in the expected useful life of the concessions following a change in the anticipated process for concession renewal in Belgium. The residual carrying value is being amortised over the remaining expected useful life of nine years.

13 Investments in subsidiaries

Company	As at 30 June 2012 £m	As at 31 December 2010 £m
Cost		
At start of period	**1,516.9**	1,515.6
Additions	**0.9**	1.3
At end of period	**1,517.8**	1,516.9
Provision for impairment		
At start of period	**489.3**	489.3
Reversal of impairment	**(157.5)**	–
At end of period	**331.8**	489.3
Net book value at end of period	**1,186.0**	1,027.6

The additions in the period relate to the fair value of services recognised by subsidiary undertakings arising from share options granted by the Company.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 33.

The Company has recognised an impairment reversal of £157.5m following a period of sustained improvement in earnings used as a basis for the annual impairment review of the carrying value of the Company's investments in subsidiary undertakings, together with the exceptional VAT refunds received in the period.

14 Inventories

	Group	
	As at 30 June 2012 £m	As at 31 December 2010 £m
Raw materials	**0.2**	0.3
Finished goods	**2.9**	3.1
	3.1	3.4

There were no write downs of inventory in either period.

15 Other receivables

	Group		Company	
	As at 30 June 2012 £m	As at 31 December 2010 £m	**As at 30 June 2012 £m**	As at 31 December 2010 £m
Current				
Other receivables	**4.5**	8.8	**–**	–
Less: provisions for impairment of other receivables	**(0.1)**	(0.3)	**–**	–
Other receivables – net	**4.4**	8.5	**–**	–
Prepayments	**26.3**	18.5	**–**	–
Amounts owed by subsidiary undertakings repayable on demand	**–**	–	**43.6**	43.6
	30.7	27.0	**43.6**	43.6
Non-current				
Other receivables	**3.9**	2.1	**–**	–
	3.9	2.1	**–**	–

Receivables with a carrying value of £2.5m as at 31 December 2010 have been reclassified as other receivables.

Group

The carrying values of other receivables are assumed to approximate to their fair values due to their short-term nature.

As at 30 June 2012, other receivables of £0.5m (31 December 2010: £0.7m) were past due but not impaired.

The creation and release of provision for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Company

The carrying values of amounts due from subsidiary undertakings are assumed to equate to their fair value as all amounts are repayable on demand. The amounts are denominated in UK Sterling and relate to subsidiary undertakings for which there is no history of default.

16 Trade and other payables

	Group		Company	
	As at 30 June 2012 £m	As at 31 December 2010 £m	**As at 30 June 2012 £m**	As at 31 December 2010 £m
Current				
Trade payables	**14.2**	18.1	**–**	–
Social security and other taxation	**23.4**	23.0	**–**	–
Other payables	**62.8**	56.9	**1.5**	1.9
Amounts owed to subsidiary undertakings repayable on demand	**–**	–	**756.4**	705.2
Trade and other payables – current	**100.4**	98.0	**757.9**	707.1
Non-current				
Other payables	**0.1**	0.2	**–**	–
Trade and other payables – non-current	**0.1**	0.2	**–**	–

17 Income tax

	Group	
	As at 30 June 2012 £m	As at 31 December 2010 £m
Income tax receivable	**0.1**	0.2
Income tax payable – Continuing operations	**(49.8)**	(34.1)
Income tax payable – Discontinued operations	**(20.6)**	(30.0)
Income tax payable	**(70.4)**	(64.1)
Net income tax payable	**(70.3)**	(63.9)

Income tax payable has been analysed between current and non-current as follows:

Current	**(31.3)**	(28.5)
Non-current	**(39.1)**	(35.6)
Total	**(70.4)**	(64.1)

Income tax payable on discontinued operations relates to potential tax liabilities that are attributable to disposed entities with historic tax audits. The liability represents management's current estimate of the payments that will be required to settle the various issues.

Income tax payable included within non-current liabilities relates to ongoing tax issues in continuing operations that may be challenged by the relevant tax authority and ongoing tax exposure in discontinued operations in overseas jurisdictions.

18 Financial assets and liabilities

a) Interest bearing loans and borrowings

		Group	
	Maturity	**As at 30 June 2012 £m**	As at 31 December 2010 £m
Current interest-bearing loans and borrowings			
Bank overdraft	On demand	**2.9**	6.5
Obligations under finance leases	Various	**3.0**	1.2
Other current loans			
Accrued interest	July 2012	**0.5**	0.7
Unamortised facility fees – bond	Various	**(0.1)**	(0.3)
Total current interest-bearing loans and borrowings		**6.3**	8.1
Non-current interest-bearing loans and borrowings			
7.125% Yankee bonds	2018	**9.1**	9.1
Syndicated loan facility	2012	**–**	168.6
Obligations under finance leases	Various	**15.7**	12.0
Other non-current loans			
Unamortised facility fees – bond	Various	**(0.2)**	(0.3)
Total non-current interest-bearing loans and borrowings		**24.6**	189.4
Total interest-bearing loans and borrowings		**30.9**	197.5
Sterling		**21.8**	119.8
Euros		**–**	68.6
US Dollars		**9.1**	9.1
Total interest-bearing loans and borrowings		**30.9**	197.5

Bank overdrafts
Bank overdrafts are for short-term funding and are repayable on demand.

Bi-lateral loan facilities
New five year facilities were signed in January 2012 and consist of four £20.0m multi-currency revolving credit bi-lateral facilities totalling £80.0m. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependent.

The new bi-lateral loan facilities replace the syndicated loan facility that was due to expire on 14 April 2012. No drawings have been made on the facilities during the period.

Syndicated loan facility
The previous five year facility was signed on 14 April 2007 and consisted of a £100.0m term loan and a £200.0m multi-currency revolving credit facility. Interest was payable on a monthly or quarterly basis depending on the loan drawn. The facility carried a floating rate of interest which was LIBOR dependent.

The syndicated loan facility was repaid in full and cancelled on 13 January 2012.

Yankee bonds
Interest on the Yankee bonds is payable half yearly in January and July at a rate of 7.125%.

The Group complied with all its covenants during the period.

18 Financial assets and liabilities *continued*

Company

The Company did not hold any external interest bearing loans or borrowings at 30 June 2012 (31 December 2010: £nil). The Company holds interest bearing loans with other Group companies at 30 June 2012 of £756.4m (31 December 2010: £705.2m).

b) Hedging activities

The Group has in the past used foreign currency denominated borrowings to manage some of its translation exposure in relation to net investments in foreign operations. On repayment of the syndicated facilities on 13 January 2012 the Group decided to cease the hedging of its translation exposure.

Included in loans at 31 December 2010, was a borrowing of €80.0m, which was designated as a hedge of the net investment in the subsidiaries in Europe and was used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing were transferred to equity to offset any gains or losses on the translation of the net investments in the subsidiaries. There was no ineffectiveness.

c) Fair values

The table below is a comparison by class of the carrying amounts and fair value of the Group and Company's financial instruments at 30 June 2012 and 31 December 2010.

	Carrying amount		Fair value	
Group	**As at 30 June 2012 £m**	As at 31 December 2010 £m	**As at 30 June 2012 £m**	As at 31 December 2010 £m
Financial assets:				
Loans and receivables				
Other receivables	**0.9**	2.5	**0.9**	2.5
Cash and short-term deposits	**72.5**	74.0	**72.5**	74.0
Total	**73.4**	76.5	**73.4**	76.5
Financial liabilities:				
Other financial liabilities				
Interest-bearing loans and borrowings				
– Obligations under finance leases	**18.7**	13.2	**18.7**	13.2
– Floating rate borrowings	**–**	168.6	**–**	168.6
– Fixed rate borrowings	**9.1**	9.1	**9.0**	10.3
– Other	**0.2**	0.1	**0.2**	0.1
Trade and other payables	**77.0**	75.0	**77.0**	75.0
Bank overdrafts	**2.9**	6.5	**2.9**	6.5
Onerous property leases	**46.0**	41.9	**46.0**	41.9
Lease disposal settlements	**1.2**	2.2	**1.2**	2.2
Total	**155.1**	316.6	**155.0**	317.8

	Carrying amount		Fair value	
Company	**As at 30 June 2012 £m**	As at 31 December 2010 £m	**As at 30 June 2012 £m**	As at 31 December 2010 £m
Financial assets:				
Loans and receivables				
Other receivables	**43.6**	43.6	**43.6**	43.6
Cash and short-term deposits	**0.1**	–	**0.1**	–
Total	**43.7**	43.6	**43.7**	43.6
Financial liabilities:				
Other financial liabilities				
Trade and other payables	**757.9**	707.1	**757.9**	707.1
Financial guarantee contracts	**0.1**	0.1	**0.1**	0.1
Total	**758.0**	707.2	**758.0**	707.2

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, other receivables, bank overdrafts and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of fixed rate borrowings is based on price quotations at the reporting date.
- The fair value of floating rate borrowings and obligations under finance leases approximate to their carrying amounts.
- The fair value of onerous property leases and lease disposal settlements approximate their carrying amount as they are discounted at current rates.

19 Financial risk management objectives and policies

Financial risk factors

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group, where appropriate, has used financial instruments to hedge certain risk exposures.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the finance committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The finance committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and the financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite.

The board of directors review and agree policies for managing each of these risks which are summarised below.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the position at 30 June 2012 and 31 December 2010.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating rates of the debt and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 30 June 2012 and 31 December 2010.

19 Financial risk management objectives and policies *continued*

i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has in the past hedged its exposure to fluctuations on the translation of its euro denominated foreign operations by holding euro borrowings. Group policy was to hedge 90% of material, identified exposures.

On repayment of the syndicated facilities on 13 January 2012 the Group decided to cease the hedging of its translation exposure.

Foreign currency sensitivity

The following table demonstrates the sensitivity of a possible change in the US dollar and euro, with all other variables held constant, to the Group's profit before tax and the Group's equity. The Group's exposure to foreign currency changes for all other currencies is not material.

	Effect on profit before tax		Effect on equity	
	As at 30 June 2012 £m	As at 31 December 2010 £m	**As at 30 June 2012 £m**	As at 31 December 2010 £m
Change in US$ rate:				
+3.0%	**0.3**	0.3	**–**	–
-3.0%	**(0.3)**	(0.3)	**–**	–
Change in euro rate:				
+3.0%	**–**	–	**(1.2)**	–
-3.0%	**–**	–	**1.2**	–

ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. At 30 June 2012 the Group had no long-term debt obligations with floating interest rates and therefore the Group's exposure to interest rate risk is not material.

Historically the Group had managed its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings with a policy of maintaining between 40% and 60% of its borrowings at fixed rates of interest. At 30 June 2012 91% of the Group's borrowings were at a fixed rate of interest (2010: 11%).

iii) Interest rate sensitivity

The table below demonstrates the sensitivity to a possible change in interest rates on income and equity for the year when this movement is applied to the carrying value of loans, borrowings and short-term deposits.

	Effect on profit before tax	
	As at 30 June 2012 £m	As at 31 December 2010 £m
Sterling:		
100 basis point increase	**0.3**	(0.9)
200 basis point increase	**0.7**	(1.8)
Euro:		
100 basis point increase	**–**	(0.7)
200 basis point increase	**–**	(1.4)

There was no impact on equity in either period.

Due to current low interest rates, any further decline would not have a material impact on income and equity for the period. As such, sensitivity to a decrease in interest rates has not been presented.

The Group did not enter into any fixed-to-floating or floating-to-fixed interest rate swaps in either year.

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the finance director, and may be updated throughout the period subject to the approval of the Group's finance committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The credit worthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'BBB' required. The Group predominantly invests with its lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any material losses from non-performance of its counterparties.

c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced quarterly. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance is reviewed monthly during the month-end process to ensure sufficient financial headroom exists for at least a 12 month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A four-year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt.

The Group's core debt facility is a £80.0m (2010: £300.0m) bank facility comprising four £20.0m bi-lateral bank facilities which expire in January 2017. The Group proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand £m	Less than 12 months £m	1 to 2 years £m	2 to 5 years £m	>5 years £m	Total £m
At 30 June 2012						
Interest bearing loans and borrowings	**2.9**	**4.6**	**4.5**	**10.4**	**17.8**	**40.2**
Trade and other payables	**–**	**77.0**	**–**	**–**	**–**	**77.0**
Onerous property leases	**–**	**4.4**	**3.6**	**9.7**	**46.4**	**64.1**
Lease disposal settlements	**–**	**0.7**	**0.5**	**–**	**–**	**1.2**
	2.9	**86.7**	**8.6**	**20.1**	**64.2**	**182.5**
At 31 December 2010						
Interest bearing loans and borrowings*	6.5	4.5	171.7	4.8	18.5	206.0
Trade and other payables	–	75.0	–	–	–	75.0
Onerous property leases	–	3.6	3.8	9.5	49.9	66.8
Lease disposal settlements	–	0.7	0.7	1.0	–	2.4
	6.5	83.8	176.2	15.3	68.4	350.2

Interest payments on the interest bearing loans and borrowings have been projected until the instruments mature.
* The syndicated facility interest payments were based on current LIBOR rates as at 31 December 2010.

19 Financial risk management objectives and policies *continued*

Capital management

As a result of the difficult conditions that developed in the global capital markets in recent years, the Group's objectives when managing capital has been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge.

Consistent with others in the gaming industry, the Group monitors capital on the basis of leverage ratio. The ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'loans and borrowings' as shown in the consolidated balance sheet) less cash and short-term deposits, accrued interest and unamortised facility fees. EBITDA is calculated as operating profit before exceptional items, depreciation and amortisation.

The leverage ratios at 30 June 2012* and 31 December 2010 were as follows:

	As at 30 June 2012 £m	As at 31 December 2010 £m
Total loans and borrowings (note 18)	**30.9**	197.5
Less: Cash and short-term deposits	**(72.5)**	(74.0)
Less: Accrued interest	**(0.5)**	(0.7)
Less: Unamortised facility fees	**0.3**	0.6
Net (cash) debt	**(41.8)**	123.4
Continuing operations		
Operating profit before exceptionals	**65.5**	62.0
Add: Depreciation and amortisation	**38.9**	30.3
EBITDA	**104.4**	92.3
Leverage ratio	**(0.4)**	1.3

* The leverage ratio at 30 June 2012 is based on unaudited financials for the 12 months to 30 June 2012.

Taking into consideration both the Group's capital investment requirements and the stability of the wider economic environment the Group considers its progressive dividend policy to be appropriate. The board recommends dividends with the intention that the Group achieves a dividend cover of at least 3 times over the medium term.

Collateral

The Group did not pledge or hold any collateral at 30 June 2012 (2010: £nil).

Company

The Company is exposed to credit risk on amounts owed by related undertakings. The performance of all subsidiary undertakings of the Group are monitored at Group level, including frequent projections of future performance to ensure funding to related undertakings provide a suitable return and remains recoverable. Where losses are forecast actions are taken to mitigate the loss and maximise the recoverability of receivables.

The maximum exposure to credit risk at the reporting date is the fair value of its receivables of £43.6m (2010: £43.6m).

The Company does not have any other significant exposure to financial risks.

20 Deferred tax

The analysis of deferred tax included in the financial statements at the end of the period is as follows:

	Group		Company	
	As at 30 June 2012 £m	As at 31 December 2010 £m	**As at 30 June 2012 £m**	As at 31 December 2010 £m
Deferred tax assets:				
Accelerated capital allowances	**18.4**	31.0	**–**	–
Tax losses carried forward	**3.5**	10.9	**–**	–
Other UK temporary differences	**–**	–	**0.2**	0.4
Deferred tax assets	**21.9**	41.9	**0.2**	0.4
Deferred tax liabilities:				
Other overseas temporary differences	**(2.2)**	(6.2)	**–**	–
Business combinations – non-qualifying properties	**(1.0)**	(1.7)	**–**	–
Other UK temporary differences	**(16.3)**	(18.0)	**–**	–
Deferred tax liabilities	**(19.5)**	(25.9)	**–**	–
Net deferred tax asset	**2.4**	16.0	**0.2**	0.4

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities of £18.4m (2010: £19.8m) have been offset and disclosed on the balance sheet as follows:

	Group	
	As at 30 June 2012 £m	As at 31 December 2010 £m
Deferred tax assets	**3.5**	22.1
Deferred tax liabilities	**(1.1)**	(6.1)
Net deferred tax asset	**2.4**	16.0

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

The Group has overseas tax losses of £20.0m (2010: £32.1m) that are carried forward for offset against suitable future taxable profits. No deferred tax asset has been recognised in respect of these losses as their utilisation is not currently anticipated. The expiry of these losses was as follows:

	Group	
	As at 30 June 2012 £m	As at 31 December 2010 £m
Expiring in 2017	**19.1**	31.6
No expiry date	**0.9**	0.5
	20.0	32.1

The Group has UK capital losses carried forward of £790m. These losses are available for offset against future UK chargeable gains. No deferred tax asset (2010: £nil) has been recognised in respect of these capital losses as no further utilisation is currently anticipated.

20 Deferred tax *continued*

Temporary differences associated with Group investments

There was no deferred tax liability recognised (2010: £nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group has determined that any unremitted earnings that do not fall within the dividend exemption introduced in the Finance Act 2009 will not be distributed in the foreseeable future and the parent company does not foresee giving such consent at the balance sheet date.

The deferred tax included in the Group income statement is as follows:

	Group	
	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Deferred tax in the income statement		
Accelerated capital allowances	**(12.6)**	(3.7)
Deferred tax movement on fair valued assets	**0.7**	0.1
Tax losses	**(7.4)**	1.3
Other temporary differences	**5.4**	1.4
Total deferred tax charge	**(13.9)**	(0.9)
Continuing operations	**(13.9)**	(1.4)
Discontinued operations	**–**	0.5
Total deferred tax charge	**(13.9)**	(0.9)

The deferred tax movement on the balance sheet is as follows:

	Group		Company	
	30 June 2012 £m	31 December 2010 £m	**30 June 2012 £m**	31 December 2010 £m
As at start of period	**16.0**	17.2	**0.4**	–
Exchange adjustments	**–**	0.2	**–**	–
Deferred tax (charge) credit	**(13.9)**	(0.9)	**(0.2)**	0.4
Deferred tax credit (charge) to equity	**0.3**	(0.5)	**–**	–
As at end of period	**2.4**	16.0	**0.2**	0.4

21 Provisions

Group	Onerous leases £m	Disposal provisions £m	Restructuring provisions £m	Total £m
At 1 January 2011	41.9	10.7	–	52.6
Exchange adjustments	–	(0.1)	–	(0.1)
Unwinding of discount	2.1	0.4	–	2.5
Impact of change in discount rates charged to the income statement – exceptional	4.8	0.3	–	5.1
Charged to the income statement – exceptional	4.7	–	0.9	5.6
Released to the income statement – exceptional	(0.6)	–	–	(0.6)
Utilised in period	(6.9)	(4.4)	(0.9)	(12.2)
At 30 June 2012	46.0	6.9	–	52.9
Current	4.1	2.7	–	6.8
Non-current	41.9	4.2	–	46.1
Total	46.0	6.9	–	52.9

Provisions have been based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation, and have been discounted at a risk free interest rate of between 2.5% and 2.6% (2010: between 3.5% and 4.3%) where the effects of inflation will have a material impact.

Onerous leases
The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property or part of the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have a weighted average unexpired life of 26 years (2010: 26 years). Of the provision totalling £46.0m, £22.3m will be utilised over periods ranging from one to 16 years; and the remaining £23.7m will be utilised over periods from one to in excess of 25 years.

Disposal provisions
Provision has been made for legacy industrial disease and personal injury claims, deferred payments arising from the settlement of property lease obligations and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any personal injury claims are uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates. The disposal provisions held at 30 June 2012 comprise the following:

	30 June 2012 £m	31 December 2010 £m
Deferred payments arising on lease settlement and related costs	1.2	2.2
Legacy industrial disease and personal injury claims	4.9	5.7
Other	0.8	2.8
Total disposal provisions	6.9	10.7

Restructuring provisions
Details of restructuring provisions are provided in note 4.

22 Share capital

	As at 30 June 2012 Authorised		As at 31 December 2010 Authorised	
	Number m	Nominal value £m	Number m	Nominal value £m
Ordinary shares of 13^8/$_9$p each	**1,296.0**	**180.0**	1,296.0	180.0

	As at 30 June 2012 Issued and fully paid		As at 31 December 2010 Issued and fully paid	
	Number m	Nominal value £m	Number m	Nominal value £m
At start of period	**390.5**	**54.2**	390.5	54.2
Shares issued in period	**0.1**	**–**	–	–
At end of period	**390.6**	**54.2**	390.5	54.2

During the period 84,112 ordinary shares were issued under the Save As You Earn share option scheme (2010: nil) for total consideration of £116,916.

At 30 June 2012 no ordinary shares (31 December 2010: 1,059,826) in the Company were held by the Rank Group Employee Benefit Trust ('the Trust'). During the period ended 30 June 2012, the Trust acquired 2,448,816 ordinary shares with a nominal value of £0.3m, representing 0.6% of the Company's called-up share capital, for total consideration of £3.4m. These shares were purchased in relation to LTIP awards which vested during the period. The amount paid to acquire the shares has been deducted from retained earnings within shareholders' equity.

Dividends on the shares held by the Trust have been waived by the trustees with the exception of one penny in respect of each dividend that is paid by the Company. The Trust may make such investments in the shares of the Company or otherwise as the trustees may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise, although any share-related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company. The shares held by the Trust at 31 December 2010 represented less than 0.3% of the Company's called-up share capital. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2010 was £1.3m.

23 Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Continuing operations				
Operating profit	**143.1**	75.4	**152.8**	0.3
Exceptional items	**(48.1)**	(13.4)	**4.0**	–
Operating profit before exceptional items	**95.0**	62.0	**156.8**	0.3
Depreciation and amortisation	**57.2**	30.3	**–**	–
Reversal of impairment	**–**	–	**(157.5)**	–
Decrease in inventories	**0.3**	0.2	**–**	–
Increase in other receivables	**(3.1)**	(1.1)	**–**	–
Increase (decrease) in trade and other payables	**2.4**	0.3	**(0.7)**	–
Share based payments and other	**1.5**	1.4	**0.7**	(0.3)
	153.3	93.1	**(0.7)**	–
Cash utilisation of provisions	**(12.2)**	(5.7)	**–**	–
Cash payments in respect of exceptional items	**(8.3)**	(6.3)	**(4.0)**	–
Cash receipts in respect of exceptional items	**85.4**	38.4	**–**	–
Cash generated from (used in) operations	**218.2**	119.5	**(4.7)**	–

Details of Group cash generated from operations for the 12 months ended 30 June 2012 and the 12 months ended 30 June 2011 are provided in the unaudited appendix to the financial statements on pages 140 to 148.

24 Acquisition and disposal of businesses

Acquisition

On 23 April 2009, the Group acquired the casino at the Ricoh Arena in Coventry from Isle of Capri Limited for a total purchase consideration of £0.7m. Deferred consideration paid in respect of this prior period acquisition during the period was £0.2m (2010: £0.1m).

Proposed Acquisition

The Group announced on 12 May 2012 that it had conditionally agreed to acquire Gala Casinos from Gala Coral Group Limited for a total cash consideration of £205.0m. The Group intends to finance the acquisition, along with its related costs and expenses with new three year bank facilities totalling £175.0m together with existing banking facilities.

The circular to shareholders issued on 21 June 2012 in relation to the proposed acquisition of Gala Casinos Limited included the following profit forecast.

“On 10 May 2012, Rank published an interim management statement for the 18 and 45 weeks to 6 May 2012, which included the following wording:

‘The Board is encouraged that their UK businesses have continued to make progress and expects the Group’s full year performance will be in line with our expectations.’

The Notes to Editors section after the end of the interim management statement contained the following reference:

‘Consensus forecasts compiled and published by Rank (at www.rank.com/investors) show a range of analyst estimates for the 12 months ending 30 June 2012 for adjusted earnings per share of 11.0p to 11.4p, with a mean of 11.2p.’

These statements together constitute a profit forecast for the purposes of the Listing Rules.”

The actual adjusted earnings per share for the 12 months ending 30 June 2012 was 11.6p.

Disposals

On 16 August 2010, the Group disposed of its rails (racecourse pitches) business in Rank Interactive for a total sales consideration, net of costs, of £0.9m. The carrying value of the business comprised intangible assets of £1.0m and therefore resulted in a loss on disposal of £0.1m.

25 Cash and short-term deposits

	Group	
	As at 30 June 2012 £m	As at 31 December 2010 £m
Cash at bank and on hand	37.3	42.3
Short-term deposits	35.2	31.7
Total	72.5	74.0

The analysis of cash and short-term deposits by currency is as follows:

	Group	
	As at 30 June 2012 £m	As at 31 December 2010 £m
Sterling	67.5	64.1
Euro	4.6	8.9
Other currencies	0.4	1.0
Total	72.5	74.0

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2012, the Group has available £80.0m (2010: £131.5m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the statements of cash flow, cash and cash equivalents comprise the following:

	Group	
	As at 30 June 2012 £m	As at 31 December 2010 £m
Cash at bank and on hand	37.3	42.3
Short-term deposits	35.2	31.7
	72.5	74.0
Bank overdrafts	(2.9)	(6.5)
	69.6	67.5

Company

At 30 June 2012, the Company had cash and short-term deposits of £0.1m (2010: £nil).

26 Employees and directors

a) Employee benefit expense for the Group during the period

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Wages and salaries	238.7	158.7
Social security costs	26.4	16.7
Pension costs	3.8	2.6
Share-based payments	1.7	1.8
	270.6	179.8

The Company has no employees. The directors of the Group are paid by a subsidiary undertaking.

b) Average monthly number of employees by segment

	18 months ended 30 June 2012	12 months ended 31 December 2010
Grosvenor Casinos	**4,115**	3,752
Mecca Bingo	**4,112**	4,145
Rank Interactive	**254**	197
Top Rank España	**523**	590
Central	**258**	253
	9,262	8,937

c) Key management compensation

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Salaries and short-term employee benefits (including social security costs)	**6.6**	4.8
Termination benefits	**–**	0.7
Post-employment benefits	**0.6**	0.4
Share-based payments	**1.7**	1.6
	8.9	7.5

Included in key management compensation are bonuses of £1.6m in respect of the current period that will be paid in 2012-13 (2010: £0.9m).

Key management is defined as the directors of the Group and the management team, details of which are set out on page 58. Further details of emoluments received by directors are included in the remuneration report.

d) Directors' interests

The directors' interests in shares of the Company, including options to purchase ordinary shares under the terms of the Group's Executive Share Option Scheme, and conditional awards under the Long Term Incentive Plans, are detailed in the remuneration report. Details of options to subscribe for ordinary shares of the Company granted to or exercised by directors in the 18 months ended 30 June 2012 are also detailed in the remuneration report.

e) Total emoluments of the directors of The Rank Group Plc

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Salaries, fees and benefits	**2.9**	1.8
Post-employment benefits	**0.3**	0.2
	3.2	2.0

No director accrued benefits under defined benefit pension schemes in either period. One director (2010: nil) was a member of the Group's defined contribution pension plan. Further details of emoluments received by directors, including the aggregate amount of gains made by directors upon the vesting of contingent share awards are disclosed in tables 1 and 3 of the remuneration report on pages 84 and 85.

27 Share-based payments

During the 18 month period ended 30 June 2012, the Company operated the Save-As-You-Earn ('SAYE') share option scheme, the Executive Share Option Scheme ('ESOS') and the Long Term Incentive Plans ('LTIP'). All of these schemes are equity settled. Further details of the LTIP are included in the remuneration report on pages 79 to 81. The SAYE scheme previously offered to all UK employees has now lapsed and all grants under the ESOS have been suspended.

The number and weighted average exercise prices ('WAEP') of, and movements in, each of the share option arrangements during the period are shown below:

	Outstanding 1 January 2011	Granted during 2011/12	Exercised during 2011/12	Expired during 2011/12	Forfeited during 2011/12	Outstanding 30 June 2012	Exercisable 30 June 2012
ESOS							
Number of shares	**273,568**	**–**	**–**	**(261,902)**	**–**	**11,666**	**11,666**
WAEP	**262.82p**	**–**	**–**	**262.50p**	**–**	**270.00p**	**270.00p**
SAYE							
Number of shares	**919,612**	**–**	**(84,112)**	**(654,403)**	**(22,538)**	**158,559**	**–**
WAEP	**148.70p**	**–**	**139.00p**	**152.51p**	**142.73p**	**139.00p**	**–**
LTIP							
Number of shares	**5,488,703**	**1,952,826**	**(3,508,642)**	**(438,343)**	**(366,279)**	**3,128,265**	**–**
WAEP	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**–**

	Outstanding 1 January 2010	Granted during 2010	Exercised during 2010	Expired during 2010	Forfeited during 2010	Outstanding 31 December 2010	Exercisable 31 December 2010
ESOS							
Number of shares	280,219	–	–	(6,651)	–	273,568	273,568
WAEP	263.01p	–	–	271.00p	–	262.82p	262.82p
SAYE							
Number of shares	1,250,730	–	–	(311,427)	(19,691)	919,612	625,858
WAEP	157.18p	–	–	180.46p	184.91p	148.70p	146.21p
LTIP							
Number of shares	4,733,532	1,609,969	–	(465,036)	(389,762)	5,488,703	–
WAEP	Nil	Nil	–	Nil	Nil	Nil	–

The following table lists the maximum term of options granted under each scheme:

	Maximum term (years)
ESOS	10.0
SAYE	5.5
LTIP	3.0

The share options outstanding at the period ends have the following range of exercise prices and expiry dates as follows:

	Outstanding at 30 June 2012			Outstanding at 31 December 2010		
	Exercise prices	Weighted average remaining contractual life	Number of shares under option	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option
ESOS	**270.00p**	**0.2 years**	**11,666**	187.50p–271.00p	1.3 years	273,568
SAYE	**139.00p**	**0.9 years**	**158,559**	139.00p–225.00p	1.4 years	919,612
LTIP	**Nil**	**1.4 years**	**3,128,265**	Nil	1.0 years	5,488,703

The fair values for each of ESOS and SAYE awards granted were calculated using a Black-Scholes pricing model. The fair value of LTIP awards is calculated using a Monte Carlo simulation which allows for the incorporation of market performance conditions. For grants made subject to an EPS performance condition, the expense recognised is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

There have been no ESOS or SAYE awards granted during either period.

The following table lists the inputs used for the LTIP grants during the periods ended:

	30 June 2012	31 December 2010
Risk free interest rate (%)	**1.65**	1.11-1.75
Dividend yield (%)	**2.70**	2.50-2.90
Expected volatilty (%)	**42.00**	49.00
Vesting period (Years)	**3**	3
Weighted average share price (p)	**129.30**	115.20-118.90

The expected life of the awards is based on current expectations and is not necessarily indicative. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the award is indicative of future trends, which may not necessarily be the actual outcome.

The number of LTIP awards and the fair value per share of the LTIP awards granted during the period were as follows:

	30 June 2012	31 December 2010
Number	**1,952,826**	1,609,969
Weighted average fair value per share	**79.1p**	85.6p

The Group recognised a £1.7m (2010: £1.8m) charge in operating profit from accounting for share-based payments and related national insurance in accordance with IFRS 2.

National Insurance contributions are payable in respect of some share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. The Group has recorded liabilities at 30 June 2012 of £0.2m (31 December 2010: £0.5m) of which £nil (31 December 2010: £nil) was in respect of vested grants.

28 Retirement benefits

Defined contribution scheme

The Group operates the Rank Group Stakeholder Pension Plan ('the Plan') which is externally funded and the Plan's assets are held separately from Group assets. During the 18 month period to 30 June 2012, the Group contributed a total of £3.8m (2010: £2.6m) to the Plan. There were no significant contributions outstanding at the balance sheet date in either period.

Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 30 June 2012, the Group's commitment was £3.4m (31 December 2010: £3.0m). The Group paid £0.2m (2010: £0.1m) in pension payments during the period. The net cost arising on the commitment of £0.1m (2010: £0.2m) has been recognised in other financial losses in the income statement. The actuarial loss arising on the commitment, resulting from the changes in assumptions outlined below in 2012, was £0.6m (2010: £nil) before taxation and £0.5m after taxation (2010: £nil). The cumulative amount of actuarial losses on the commitment recognised in the statement of comprehensive income before taxation was £1.1m (2010: £0.5m).

Assumptions used to determine the obligations at:

	30 June 2012 % p.a.	31 December 2010 % p.a.
Discount rate	**4.2**	5.4
Pension increases	**2.9**	3.4

The mortality table used to determine the obligation in both periods was the PA92 (YOB) mc with a 1.5% p.a. minimum improvement.

29 Commitments

Group

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations of from under one year to 53 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	As at 30 June 2012 £m	As at 31 December 2010 £m
Not later than one year	**38.0**	39.4
After one year but not more than five years	**140.2**	137.6
After five years	**237.5**	269.3
	415.7	446.3

	As at 30 June 2012 £m	As at 31 December 2010 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**26.7**	37.8

Finance lease commitments – Group as lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2012 £m	31 December 2010 £m	30 June 2012 £m	31 December 2010 £m
Not later than one year	**4.1**	2.1	**3.0**	1.2
After one year but not more than five years	**12.4**	7.2	**9.7**	4.2
More than five years	**8.0**	10.3	**6.0**	7.8
	24.5	19.6	**18.7**	13.2
Less future finance charges	**(5.8)**	(6.4)		
Present value of minimum lease payments	**18.7**	13.2		

	As at 30 June 2012 £m	As at 31 December 2010 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**0.2**	0.8

Capital commitments

At 30 June 2012, the Group has contracts placed for future capital expenditure, primarily relating to property, plant and equipment, of £1.5m (31 December 2010: £5.9m).

30 Contingent assets

Group

The Group has lodged a number of VAT claims that are the subject of on-going litigation but have not yet been paid. These include, but are not limited to, claims submitted pursuant to the House of Lords decision in the Condé Nast/Fleming (Fleming) cases on the applicability of the three year cap that HMRC introduced to limit VAT reclaims. Fleming claims, which had to be submitted by March 2009, are based on management's best estimates from the information available and the Group expects HMRC to review closely both the Group's right to the amounts claimed and the value of each claim before settlement. In a number of cases, the Fleming claims are subject to the successful outcome of other litigation. This includes the amusement machine litigation outlined in note 31, below.

The combined value of these claims, including simple interest, is currently estimated to be worth more than £275m.

The Group has not recognised any gain in its financial statements at 30 June 2012 in respect of the above items.

Company

The Company had no contingent assets at either reporting date.

31 Contingent liabilities

Group

i) Group liabilities relating to Fiscal Neutrality Case

On 10 November 2011, the ECJ ruled on the Group's amusement machines claim in relation to the application of VAT to certain types of amusement machines contravening the European Unions principle of fiscal neutrality. In May 2010, Rank received £30.8m (VAT of £26.4m plus interest of £4.4m) relating to a claim for repayment of overpaid VAT on amusement machines. The ECJ's decision on the Group's amusement machines claim was not conclusive and was therefore referred back to the UK courts. The hearing was held in June 2012, with a decision expected in the second half of 2012.

ii) Grosvenor liability relating to irrecoverable VAT

The Group has been in negotiation with HMRC for several years on the means by which it calculates the amount of irrecoverable VAT in Grosvenor Casinos. The difference in the Group's position as against HMRC's position for the period under negotiation (July 2007 to June 2012) amounts to an estimated £8.8m.

The point of dispute between the Group and HMRC was the subject of litigation by another, similar, taxpayer. In that case, the Court of Appeal ruled that HMRC's position was incorrect. This was the latest in a string of appeals on this point. Precedent case law indicates that the Group's position is correct and on that basis the irrecoverable VAT charge has been adjusted accordingly. In the event this was not the case, the Group would have to pay the VAT in dispute (see above) plus interest.

iii) Other duty and VAT

In addition, the Group is in discussions with HMRC about a limited number of other VAT and duty issues. The Group does not anticipate that VAT and duty is due on these issues but in the event that this is not the case a liability of up to £15m could be due.

The directors consider that, in respect of all contingent liabilities disclosed above, it is more likely than not that no outflow will arise.

A summary of the various VAT claims is provided in the tax fact file on page 54.

Company

At 30 June 2012, the Company has made guarantees to subsidiary undertakings of £11.2m (31 December 2010: £181.6m).

The Company is the representative member of the Rank VAT group, and as such has joint and several liability for the Group VAT contingent liabilities outlined above.

32 Related party transactions

Group

Details of compensation of key management are disclosed in note 26.

Entities with significant influence over the Group

On 7 June 2011, Guoco Group Limited (Guoco), a company incorporated in Bermuda, and listed on the Hong Kong stock exchange, acquired a controlling interest in The Rank Group Plc. At 30 June 2012, Guoco owned 74.5% of the Company's shares through a wholly owned subsidiary undertaking, Rank Assets Limited. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad which is incorporated in Malaysia.

Tim Scoble and Mike Smith were appointed as non-executive directors by shareholders at the Company's annual general meeting on 22 April 2010 as appointees of Guoco. Mike Smith resigned as a director with effect from 30 April 2011 and Tim Scoble became independent on 30 April 2012. During the 18 months ended 30 June 2012, payments of £63,333 (12 months ended 31 December 2010: £52,575) were made to Guoco controlled companies in relation to their fees.

Company

The following transactions with subsidiaries occurred in the period:

	18 months ended 30 June 2012 £m	12 months ended 31 December 2010 £m
Dividend received from subsidiary undertaking	–	77.5
Interest payable to subsidiary undertaking	(39.6)	(23.9)

During the period, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash to the Company of £22.8m (2010: £8.1m).

33 Principal subsidiaries

The Company owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies[1]:

Name	Country of incorporation	Principal activities
Mecca Bingo Limited	England and Wales	Social and bingo clubs
Rank Leisure Limited	England and Wales	Adult gaming centres in Mecca Bingo and Grosvenor Casinos
Rank Holding España SA	Spain	Owns the Group's investments in Top Rank España
Grosvenor Casinos Limited	England and Wales	London and provincial casinos
Blue Square Gaming (Alderney) Limited	Alderney	Interactive gaming and sports betting
Rank Interactive Development Limited	England and Wales	Support services to interactive gaming
Blue Square Limited[2]	England and Wales	Support services to interactive gaming
Rank Group Gaming Limited	England and Wales	Intermediary holding company
Rank Group Gaming Division Limited	England and Wales	Intermediary holding company and provision of shared services
Rank Leisure Holdings Limited	England and Wales	Intermediary holding company and corporate activities
Rank Nemo (Twenty-Five) Limited[2]	England and Wales	Intermediary holding company
Rank Overseas Holdings Limited	England and Wales	Intermediary holding company
Rank Holdings (Netherlands) BV	Netherlands	Intermediary holding company
Rank Group Finance Plc[2]	England and Wales	Funding operations for the Group

1 The Group comprises a large number of companies and it is not practical to list all companies. The table above therefore includes those companies which the directors consider principally affect the consolidated results or financial position of the Group.
2 Directly held by the Company.

The principal activities are carried out in the country of incorporation as indicated above. All principal subsidiary undertakings have also changed to a 30 June year-end.

UNAUDITED FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

For the 12 months ended 30 June 2012

	12 months ended 30 June 2012 (Unaudited)			12 months ended 30 June 2011 (Unaudited)		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations						
Revenue before adjustment for free bets, promotions and customer bonuses	600.5	–	600.5	580.7	–	580.7
Free bets, promotions and customer bonuses	(27.6)	–	(27.6)	(23.8)	–	(23.8)
Revenue	**572.9**	**–**	**572.9**	556.9	–	556.9
Cost of sales	**(310.4)**	**–**	**(310.4)**	(301.5)	–	(301.5)
Gross profit	**262.5**	**–**	**262.5**	255.4	–	255.4
Other operating costs	**(197.0)**	**(24.5)**	**(221.5)**	(192.5)	(36.2)	(228.7)
Other operating income	**–**	**4.6**	**4.6**	–	80.1	80.1
Group operating profit (loss)	**65.5**	**(19.9)**	**45.6**	62.9	43.9	106.8
Financing:						
– finance costs	**(4.9)**	**–**	**(4.9)**	(7.3)	–	(7.3)
– finance income	**0.6**	**0.1**	**0.7**	0.6	80.9	81.5
– other financial (losses) gains	**(0.6)**	**–**	**(0.6)**	0.4	–	0.4
Total net financing (charge) income	**(4.9)**	**0.1**	**(4.8)**	(6.3)	80.9	74.6
Profit (loss) before taxation	**60.6**	**(19.8)**	**40.8**	56.6	124.8	181.4
Taxation	**(16.5)**	**4.0**	**(12.5)**	(18.5)	(26.8)	(45.3)
Profit (loss) for the year from continuing operations	**44.1**	**(15.8)**	**28.3**	38.1	98.0	136.1
Discontinued operations	**–**	**(0.2)**	**(0.2)**	–	6.1	6.1
Profit (loss) for the year	**44.1**	**(16.0)**	**28.1**	38.1	104.1	142.2
Attributable to:						
Equity holders of the parent	**44.1**	**(16.0)**	**28.1**	38.1	104.1	142.2
Earnings (loss) per share attributable to equity shareholders						
– basic	**11.3p**	**(4.1)p**	**7.2p**	9.8p	26.7p	36.5p
– diluted	**11.3p**	**(4.1)p**	**7.2p**	9.8p	26.5p	36.3p
Earnings (loss) per share – continuing operations						
– basic	**11.3p**	**(4.0)p**	**7.3p**	9.8p	25.2p	35.0p
– diluted	**11.3p**	**(4.0)p**	**7.3p**	9.8p	25.0p	34.8p
Earnings (loss) per share – discontinued operations						
– basic	**–**	**(0.1)p**	**(0.1)p**	–	1.5p	1.5p
– diluted	**–**	**(0.1)p**	**(0.1)p**	–	1.5p	1.5p

UNAUDITED FINANCIAL STATEMENTS CONTINUED

STATEMENTS OF CASH FLOW

For the 12 months ended 30 June 2012

	12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m
Cash flows from operating activities		
Cash generated from operations	**95.7**	164.2
Interest received	**0.8**	84.3
Interest paid	**(2.8)**	(5.3)
Tax paid	**(30.9)**	(1.8)
Net cash from operating activities	**62.8**	241.4
Cash flows from investing activities		
Acquisition of businesses including deferred consideration	**(0.1)**	(0.1)
Disposal of business	**–**	0.9
Purchase of intangible assets	**(7.1)**	(7.6)
Purchase of property, plant and equipment	**(42.5)**	(37.4)
Proceeds from sale of property, plant and equipment	**0.2**	0.7
Net cash used in investing activities	**(49.5)**	(43.5)
Cash flows from financing activities		
Dividends paid to equity holders	**(8.2)**	(9.3)
Purchase of own shares	**–**	(3.4)
Proceeds from issue of shares	**–**	0.1
Repayment of Sterling borrowings	**–**	(100.0)
Repayment of syndicated facilities	**(54.1)**	(64.0)
Payment of facility arrangement fees	**(2.7)**	–
Finance lease principal payments	**(2.8)**	(1.4)
Net cash used in financing activities	**(67.8)**	(178.0)
Net (decrease) increase in cash, cash equivalents and bank overdrafts	**(54.5)**	19.9
Effect of exchange rate changes	**(0.8)**	0.8
Cash and cash equivalents at start of the year	**124.9**	104.2
Cash and cash equivalents at end of the year	**69.6**	124.9

UNAUDITED FINANCIAL STATEMENTS CONTINUED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1 Segmental reporting

a) Segment information – business segments

	Grosvenor Casinos	
	12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m
Continuing operations		
Revenue before adjustment for free bets, promotions and customer bonuses	255.8	245.4
Free bets, promotions and customer bonuses	(1.9)	(1.0)
Segment revenue	**253.9**	244.4
Operating profit (loss) before exceptional items	**42.8**	38.6
Exceptional operating (loss) profit	**(1.0)**	(9.1)
Segment result	**41.8**	29.5
Finance costs		
Finance income		
Other financial (losses) gains		
Profit before taxation		
Taxation		
Profit for the year from continuing operations		

Mecca Bingo		Rank Interactive		Top Rank España		Central costs		Total	
12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m	**12 months ended 30 June 2012 (unaudited) £m**	12 months ended 30 June 2011 (unaudited) £m	**12 months ended 30 June 2012 (unaudited) £m**	12 months ended 30 June 2011 (unaudited) £m	**12 months ended 30 June 2012 (unaudited) £m**	12 months ended 30 June 2011 (unaudited) £m	**12 months ended 30 June 2012 (unaudited) £m**	12 months ended 30 June 2011 (unaudited) £m
237.8	237.5	77.7	64.3	29.2	33.5	–	–	600.5	580.7
(15.2)	(13.8)	(10.5)	(9.0)	–	–	–	–	(27.6)	(23.8)
222.6	223.7	**67.2**	55.3	**29.2**	33.5	**–**	–	**572.9**	556.9
28.3	29.9	**10.5**	8.3	**1.4**	4.0	**(17.5)**	(17.9)	**65.5**	62.9
(5.0)	75.2	**(1.8)**	–	**(10.8)**	(5.3)	**(1.3)**	(16.9)	**(19.9)**	43.9
23.3	105.1	**8.7**	8.3	**(9.4)**	(1.3)	**(18.8)**	(34.8)	**45.6**	106.8
								(4.9)	(7.3)
								0.7	81.5
								(0.6)	0.4
								40.8	181.4
								(12.5)	(45.3)
								28.3	136.1

1 Segmental reporting *continued*

b) Total cost analysis by segment

To increase transparency, the Group has decided to include additional disclosure analysing total costs by type and segment. A reconciliation of total costs, before exceptional items, by type and segment is as follows:

	12 months ended 30 June 2012 (unaudited)					
	Grosvenor Casinos £m	Mecca Bingo £m	Rank Interactive £m	Top Rank España £m	Central costs £m	Total £m
Employment and related costs	**94.9**	**59.5**	**12.8**	**13.7**	**11.7**	**192.6**
Taxes and duties	**51.4**	**39.1**	**1.9**	**1.7**	**1.6**	**95.7**
Direct costs	**10.3**	**21.8**	**19.0**	**3.4**	**–**	**54.5**
Property costs	**17.1**	**28.7**	**0.9**	**2.0**	**0.9**	**49.6**
Marketing	**7.4**	**9.9**	**15.5**	**0.8**	**–**	**33.6**
Depreciation and amortisation	**14.8**	**15.7**	**4.9**	**2.4**	**1.1**	**38.9**
Other	**15.2**	**19.6**	**1.7**	**3.8**	**2.2**	**42.5**
Total costs before exceptional items	**211.1**	**194.3**	**56.7**	**27.8**	**17.5**	**507.4**
Cost of sales						**310.4**
Operating costs						**197.0**
Total costs before exceptional items						**507.4**

	12 months ended 30 June 2011 (unaudited)					
	Grosvenor Casinos £m	Mecca Bingo £m	Rank Interactive £m	Top Rank España £m	Central costs £m	Total £m
Employment and related costs	92.1	61.4	10.8	14.3	13.0	191.6
Taxes and duties	49.5	36.7	1.9	2.1	0.3	90.5
Direct costs	11.3	22.1	16.9	2.8	–	53.1
Property costs	17.6	27.5	0.7	2.0	1.0	48.8
Marketing	7.0	11.0	11.6	0.7	–	30.3
Depreciation and amortisation	12.1	14.5	4.0	2.6	0.9	34.1
Other	16.2	20.6	1.1	5.0	2.7	45.6
Total costs before exceptional items	205.8	193.8	47.0	29.5	17.9	494.0
Cost of sales						301.5
Operating costs						192.5
Total costs before exceptional items						494.0

2 Exceptional items

	12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m
Exceptional items relating to continuing operations		
Impairment charges	**(14.9)**	(17.1)
Impairment reversals	**3.7**	3.2
Charge to provision for onerous leases	**(3.1)**	(17.8)
Release from provision for onerous leases	**0.6**	4.3
Change in discount rate for onerous leases	**(4.8)**	–
VAT agreement cost	**–**	(4.6)
VAT partial exemption accrual release	**–**	4.5
Bid response costs	**–**	(4.3)
Transaction costs	**(5.0)**	–
Restructuring costs	**(1.0)**	(4.4)
Exceptional operating costs	**(24.5)**	(36.2)
VAT refund net of gross profits tax and associated costs	**4.6**	80.1
Exceptional operating income	**4.6**	80.1
Finance income	**0.1**	80.9
Taxation	**4.0**	(26.8)
Exceptional items relating to continuing operations	**(15.8)**	98.0
Exceptional items relating to discontinued operations		
Additional profit arising on previously disposed subsidiary undertakings	**–**	2.1
Change in discount rates for disposal provisions	**(0.3)**	–
Finance income	**–**	2.6
Taxation	**0.1**	1.4
Exceptional items relating to discontinued operations	**(0.2)**	6.1
Total exceptional items	**(16.0)**	104.1

3 Financing

	12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m
Continuing operations:		
Finance costs:		
Interest on debt and borrowings	**(1.9)**	(4.3)
Amortisation of issue costs on borrowings	**(0.2)**	(0.6)
Interest payable on finance leases	**(1.1)**	(0.9)
Unwinding of discount in onerous leases provisions	**(1.4)**	(1.3)
Unwinding of discount in disposal provisions	**(0.3)**	(0.2)
Total finance costs	**(4.9)**	(7.3)
Finance income:		
Interest income on short term bank deposits	**0.6**	0.6
Finance income	**0.6**	0.6
Other financial (losses) gains	**(0.6)**	0.4
Total net financing cost for continuing operations before exceptional items	**(4.9)**	(6.3)
Exceptional finance income	**0.1**	80.9
Total net financing cost (income) for continuing operations	**(4.8)**	74.6

A reconciliation of total net financing costs to adjusted net interest included in adjusted profit is disclosed below:

	12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m
Total net financing cost for continuing operations before exceptional items	**(4.9)**	(6.3)
Adjust for:		
Unwinding of discount in disposal provisions	**0.3**	0.2
Other financial losses (gains) – including foreign exchange	**0.6**	(0.4)
Adjusted net interest payable	**(4.0)**	(6.5)

4 Adjusted earnings per share

Adjusted net earnings attributable to equity shareholders is derived as follows:

	12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m
Profit attributable to equity shareholders	**28.1**	142.2
Adjust for:		
Discontinued operations (net of taxation)	**0.2**	(6.1)
Exceptional items after tax on continuing operations	**15.8**	(98.0)
Other financial losses (gains)	**0.6**	(0.4)
Unwinding of discount in disposal provisions	**0.3**	0.2
Taxation on adjusted items and impact of reduction in tax rate to 24.0% (2011: 26.0%)	**0.3**	1.9
Adjusted net earnings attributable to equity shareholders (£m)	**45.3**	39.8
Adjusted earnings per share (p) – basic	**11.6p**	10.2p
Adjusted earnings per share (p) – diluted	**11.6p**	10.2p

5 Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m
Continuing operations		
Operating profit	**45.6**	106.8
Exceptional items	**19.9**	(43.9)
Operating profit before exceptional items	**65.5**	62.9
Depreciation and amortisation	**38.9**	34.1
Increase in inventories	**(0.1)**	–
Decrease (increase) in other receivables	**4.6**	(2.4)
Decrease (increase) in trade and other payables	**(1.4)**	1.3
Share based payments and other	**1.0**	1.6
	108.5	97.5
Cash utilisation of provisions	**(9.4)**	(6.3)
Cash payments in respect of exceptional items	**(7.2)**	(6.2)
Cash receipts in respect of exceptional items	**3.8**	79.2
Cash generated from operations	**95.7**	164.2

FIVE YEAR REVIEW

	12 months ended 30 June 2012 (unaudited) £m	12 months ended 30 June 2011 (unaudited) £m	12 months ended 30 June 2010 (unaudited) £m	12 months ended 30 June 2009 (unaudited) £m	12 months ended 30 June 2008 (unaudited) £m
Continuing operations					
Revenue before adjustment for free bets, promotions and customer bonuses	**600.5**	580.7	555.1	531.2	506.8
Free bets, promotions and customer bonuses	**(27.6)**	(23.8)	(21.2)	(18.2)	(20.1)
Revenue	**572.9**	556.9	533.9	513.0	486.7
Operating profit before exceptional items	**65.5**	62.9	56.4	61.6	49.3
Exceptional items (charged) credited against operating profit	**(19.9)**	43.9	38.9	27.2	(149.5)
Group operating profit (loss)	**45.6**	106.8	95.3	88.8	(100.2)
Total net financing (charge) income	**(4.8)**	74.6	(2.9)	(11.3)	(19.0)
Profit (loss) before taxation	**40.8**	181.4	92.4	77.5	(119.2)
Taxation	**(12.5)**	(45.3)	(25.4)	(22.1)	24.0
Profit (loss) after taxation from continuing operations	**28.3**	136.1	67.0	55.4	(95.2)
Discontinued operations	**(0.2)**	6.1	2.4	10.0	14.1
Profit (loss) for the year	**28.1**	142.2	69.4	65.4	(81.1)
Adjusted earnings per share – basic	**11.6p**	10.2p	9.0p	8.8p	5.2p
Basic earnings (loss) per ordinary share	**7.2p**	36.5p	17.9p	16.7p	(13.0)p
Basic earnings per ordinary share before exceptional items	**11.3p**	9.8p	8.9p	8.1p	5.6p
Total ordinary dividend (including proposed) per ordinary share	**3.60p**	2.66p	2.09p	–	–
Group funds employed					
Intangible assets and property, plant and equipment	**371.5**	376.3	367.3	354.1	355.3
Investments	**–**	–	–	–	0.1
Provisions	**(7.4)**	(53.0)	(41.2)	(51.6)	(72.2)
Other net liabilities	**(377.2)**	(151.8)	(117.1)	(85.0)	(75.9)
Total funds employed at period end	**(13.1)**	171.5	209.0	217.5	207.3
Financed by					
Ordinary share capital and reserves	**28.7**	208.7	75.6	9.4	(66.1)
Net (cash)/debt	**(41.8)**	(37.2)	133.4	208.1	273.4
	(13.1)	171.5	209.0	217.5	207.3
Average number of employees (000s)	**9.2**	9.1	8.6	8.0	8.6

SHAREHOLDER INFORMATION

2012/13 financial calendar

31 August 2012	Record date for 2011/12 final dividend
19 October 2012	Annual general meeting and interim management statement
31 October 2012	Payment date for 2011/12 final dividend
31 January 2013	Interim results announcement
16 May 2013	Interim management statement

Registrar

All administrative enquiries relating to shares should, in the first instance, be directed to the Company's registrar (quoting reference number 1235) and clearly state the registered shareholder's name and address. Please write to The Rank Group Plc Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: from the UK 0871 384 2098 and from outside the UK +44 121 415 7047).

There is a text phone available on 0871 384 2255 for shareholders with hearing difficulties.

(Calls to both of the UK numbers are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.)

Shareview

The Shareview portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments including:

– direct access to data held for them on the share register including recent share movements and dividend details;

– a recent valuation of their portfolio; and

– a range of information and practical help for shareholders including how you can elect to receive communications electronically.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Please visit the following website for more details: www.shareview.co.uk.

Payment of dividends

The Company is no longer operating a dividend re-investment plan. Shareholders may find it more convenient to make arrangements to have dividends paid directly to their bank account. The advantages of this are that the dividend is credited to a shareholder's bank account on the payment date, there is no need to present cheques for payment and there is no risk of cheques being lost in the post.

To set up a dividend mandate or to change an existing mandate please contact Equiniti Limited, our registrar, whose contact details are above. Alternatively, shareholders who use Equiniti's Shareview can log on to www.shareview.co.uk and follow the online instructions.

Shareholder Information

A wide range of information for shareholders and investors is available in the Investors area of the Rank Group website: www.rank.com.

Frequently asked questions

We have a shareholder 'frequently asked questions' section on our website which provides answers to many questions that shareholders have: www.rank.com/investor/shareholders/faqs.

Share price information

The latest information on the Rank ordinary share price is available in the Investors area of the www.rank.com website. Closing share prices for the previous business day are quoted in most daily newspapers and, throughout the working day, time-delayed share prices are broadcast on the text pages of the principal UK television channels.

Capital gains tax

For the purpose of calculating UK capital gains tax on a disposal of ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994, the enhanced scrip dividend in March 1998, and the 18 for 25 sub-division and share consolidation (aligned with the 65p special dividend payment) which took place in March 2007. More information regarding these adjustments is available on the www.rank.com website.

Shareholder security

We are aware that some of our shareholders have received unsolicited telephone calls concerning their Rank shares. These communications tend to be from overseas-based 'brokers' who offer a premium price for your Rank shares but ask you to make an upfront payment, typically in the form of an insurance bond. We recommend that before paying any money you:

– obtain the name of the person and firm contacting you;

– check the FSA register at http://www.fsa.gov.uk/fsaregister to ensure they are authorised;

– use the details on the FSA Register to contact the firm;

– call the FSA Consumer Helpline on 0845 606 1234 if there are no contact details on the FSA Register or you are told they are out of date; and

– search the FSA's list of unauthorised firms and individuals to avoid doing business with: http://www.fsa.gov.uk/Pages/Doing/Regulated/Law/Alerts/.

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Below, please find the link to the FSA's website which gives information on scams and swindles which shareholders may find helpful:

http://www.fsa.gov.uk/Pages/consumerinformation/scamsandswindles/.

Further information on fraud can be found at http://www.actionfraud.org.uk/

Action Fraud's helpline is 0300 123 2040.

We recommend that you report any attempted share frauds to the authorities since providing information with regard to how the fraudsters have contacted and dealt with you will assist the authorities in understanding the fraudsters' way of operating so as to enable them to disrupt and prevent these activities and prosecute them.

ShareGift

Shareholders with a very small number of shares, the value of which may make it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation.

Further information about ShareGift is available at www.sharegift.org or by writing to:

ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Tel: 020 7930 3737

For any other information please contact the following at our registered office:

Frances Bingham, company secretary
Sarah Powell, head of treasury and investor relations

Registered office

The Rank Group Plc, Statesman House,
Stafferton Way, Maidenhead SL6 1AY
Tel: 01628 504 000

The Rank Group Plc
Registered in England and Wales No. 03140769

OUR GAMES

			Brand distribution	
Activity	Description	How we generate revenue	Land based*	Remote
Bingo	Lottery-style community game – Main stage – Interval	Participation fee charged for arranging game	Mecca Bingo Top Rank España	Blue Square Mecca Bingo
Casino	Table games played against the house e.g. – Roulette – Blackjack	Casino enjoys marginally greater probability of winning than losing (‘House edge’)	Grosvenor Casinos	Blue Square Grosvenor Casinos Mecca Bingo
Card room games	Community games – Poker – Mah Jong	Flat fee or percentage fee (‘rake’) charged for arranging game	Grosvenor Casinos	Blue Square Grosvenor Casinos
Amusement machines	– Reel-based – Video	Machines based on random number generator, configured to pay out less than amount staked over a cycle	Grosvenor Casinos Mecca Bingo Top Rank España	Blue Square Grosvenor Casinos Mecca Bingo
Sports betting	Gambling on the outcome of uncertain events (e.g. sports results)	‘Odds’ set to give bookmaker statistical advantage		Blue Square

* Limited casino, poker and sports betting permitted in some of Top Rank España’s venues.

Gaming machine regulations in Great Britain 2011/12

<table>
<tr><th></th><th></th><th colspan="6">Stakes and prizes</th></tr>
<tr><th>Machine category</th><th>A*</th><th>B1</th><th>B2</th><th>B3</th><th>B4</th><th>C</th><th>D</th></tr>
<tr><td>Max stake</td><td>Unlimited</td><td>£2</td><td>£100</td><td>£2</td><td>£1</td><td>£1</td><td>10p</td></tr>
<tr><td>Max prize</td><td>Unlimited</td><td>£4,000</td><td>£500</td><td>£500</td><td>£250</td><td>£70</td><td>£5</td></tr>
<tr><td></td><td colspan="7">Maximum permitted per licensed establishment</td></tr>
<tr><td>Regional casino</td><td colspan="7">Up to 1,250 in aggregate</td></tr>
<tr><td>Large casino</td><td>–</td><td colspan="6">Up to 150 in aggregate</td></tr>
<tr><td>Small casino</td><td>–</td><td colspan="6">Up to 80 in aggregate</td></tr>
<tr><td>1968 Act casino</td><td>–</td><td colspan="4">Up to 20 in aggregate</td><td>–</td><td>–</td></tr>
<tr><td>Betting office</td><td>–</td><td>–</td><td colspan="5">Up to 4 in aggregate</td></tr>
<tr><td>Bingo club</td><td>–</td><td>–</td><td>–</td><td colspan="2">Up to 20% of total</td><td colspan="2">Unlimited</td></tr>
<tr><td>Adult gaming centre</td><td>–</td><td>–</td><td>–</td><td colspan="2">Up to 20% of total</td><td colspan="2">Unlimited</td></tr>
</table>

* Category A machines are permitted only in the Regional Casino provided for within the 2005 Act. At present the Government has no plans to permit the development of the Regional Casino.

GLOSSARY

Financial terminology

Revenue
Income retained by Group after deductions for VAT and players' winnings

Like-for-like
Excludes club openings, closures and relocations, and changes to gaming taxation

EBITDA
Earnings before interest, tax, depreciation, amortisation and exceptional items

Operating margin
Operating profit expressed as a percentage of revenue

KPI terminology

Customers
Unique customers visiting a bingo club or casino or operating an online or telephone betting account in the 12-month period

Customer visits
Individual customer visits to bingo clubs and casinos

Spend per visit
Revenue divided by customer visits

Online – offline crossover
Percentage of adults participating in both remote and land-based gambling

Net promoter score
A measure of a customer's propensity to recommend

Gaming industry terminology

Interval games
Automated game of bingo played in a licensed club

Adult gaming centre
A licensed gaming machines arcade

Main stage bingo
Traditional game of bingo played in a licensed club

Pari-mutuel gaming
Gaming where players compete with each other to win prizes. The house may take a fee for organising the game but does not participate actively. Also called 'player-to-player' gaming

Remote gaming and betting
Gambling services offered to customers via the internet and mobile phone

Commission des Jeux
The governing body for the gambling industry in Belgium

Gambling Commission
The governing body for all sectors of gambling in Great Britain, with the exceptions of the National Lottery and spread betting

GamCare
A charitable organisation that provides counselling and other services to those with gambling-related problems

Responsible Gambling Trust
A charitable organisation that funds treatment, education and research related to problem gambling and which was formed following the merger of The GREaT Foundation and the Responsible Gambling Fund.

Credits

Our thanks go to everyone who has helped to produce this annual report and financial statements

The Numbers

Thanks to all the unsung heroes in Rank Group finance who worked so hard on the financial statements:

Kirsten Foster

Michelle Fyfe

Clare Vine

Alexandra Viney

Paul Birchall

Philip Munn

James Sallows

James Smyth

The Heritage

Thanks to our friends at Hard Rock International, ITV Studios Global Entertainment and Pinewood Studios for helping us celebrate our shared pasts.

Rank gongman appears courtesy of ITV Studios Global Entertainment.

The Creativity

Thanks to our friends at Black Sun for helping us bring our story to life:

Bianca Johnson

Annelies Leask

Paul Edison

Jon Honeywill

The End

The Rank Group annual report and financial statements will return in 2012/13

FSC
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The Forest Stewardship Council (FSC) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers readily to identify timber-based products from certified forests.

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The Rank Group Plc
Statesman House
Stafferton Way
Maidenhead
SL6 1AY

Telephone
01628 504000

Web
www.rank.com

Company registration number
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